Austria Sch 20	Indonesia Rp 3100	Philippines Pes 20	Bahrain Din 0.650	Israel IS 3.50	Portugal Esc 100
Belgium BFr 45	Italy L 1500	S. Arabia Rls 8.00	Canada C$1.00	Japan Y650	Singapore S$ 4.10
Cyprus C£0.75	Jordan Fils 500	Spain Pta 125	Denmark DKr 8.00	Kuwait Fils 500	Sri Lanka Rup 30
Egypt E£1.00	Lebanon £L25.00	Sweden Skr 7.00	Finland Fmk 6.50	Luxembourg LFr 45	Switzerland SFr 2.20
France Fr 6.50	Malaysia Rm 4.25	Taiwan NT$ 65	Germany DM 2.20	Mexico Pes 300	Tunisia Din 1.375
Greece Dr 90	Morocco Dh 8.00	Turkey L 350	Hong Kong HK$ 12	Netherlands Fl 2.75	U.A.E. Dh 6.50
India Rup 15	Norway NKr 7.00	U.S.A. $1.00			

FINANCIAL TIMES

EUROPE'S BUSINESS NEWSPAPER

No. 30,063 — Tuesday October 21 1986 — D 8523 B

Euro-motor industry moves into higher gear, Page 6

World news | Business summary

Weinberger breaks ranks over SDI

US Defence Secretary Caspar Weinberger, in an apparent split with other top Reagan administration officials, said he opposed any limit on testing of the Strategic Defence Initiative (SDI), the space-based defence system.

Mr Weinberger's public intervention in the arms debate conflicted with an optimistic assessment of the possibility of an SDI deal made by Mr Larry Speakes, President Reagan's chief spokesman.

Mr Speakes said the Soviet Union had told the White House it would like to reopen talks on SDI testing. Page 5

Strike to hit France

About 6m French public service workers are expected to strike today in the biggest challenge by the country's unions so far to the seven month-old conservative Government. Page 20

Greek election turn

Greece's conservative opposition made a dramatic political recovery in municipal elections over the weekend. Page 20

German arrest row

West German labour and opposition leaders expressed outrage at the dramatic arrest of a senior union official for refusing to testify to a parliamentary committee of inquiry into the Neue Heimat property group scandal. Page 3

Shamir takes over

Likud leader Yitzhak Shamir became Prime Minister of Israel and promised he would promote Jewish settlement in the occupied Arab territories while also seeking peace with Jordan. Page 4

Kohl visits US

Chancellor Helmut Kohl of West Germany begins three days of talks with President Reagan and senior US officials in Washington. He is the first West European leader to meet President Reagan since the Reykjavik talks and will be briefed on US arms proposals.

EEC visa proposed

European Community interior and justice ministers agreed in London to consider co-ordinating immigration policies and introducing a common visa for the 12-nation bloc in the fight against terrorists and drug traffickers. Page 20

Trial for US airman

Captured American Eugen Hasenfus went on trial before a revolutionary tribunal in Nicaragua charged with flying arms to Contra rebels. He faces up to 30 years in jail. Page 5

Walesa under fire

Polish leader General Wojciech Jaruzelski has sharply attacked an appeal by Solidarity chief Lech Walesa for the lifting of remaining Western sanctions. Page 2

Seoul crackdown

A senior South Korean official said the authorities planned to investigate about 10,000 people involved in anti-Government activities

Expulsions claim

French Interior Minister Charles Pasqua denied claims that 101 expelled Mali nationals had been chained on to a flight home and said expulsions of foreigners would recur whenever necessary. Page 2

Italian go-slow

Italian car drivers face chaos for the rest of this week as thousands of truck drivers boycott motorways and stick to a 60 kph speed limit in protest at new government safety measures. Page 2

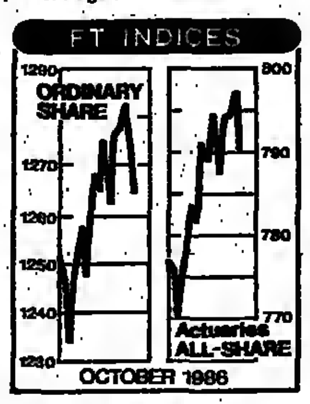
Samsung to spend £25m on UK plant

SAMSUNG Electronics is to spend up to £25m ($35.7m) on development of a plant in Cleveland, north-east England, becoming the first South Korean company to manufacture in Britain. Page 20

WALL STREET: The Dow Jones industrial average closed 26.02 down at 1,811.02. Page 44

TOKYO was lower and the Nikkei average ended down 177.97 at 16,523.37. Page 44

LONDON: Equities fell sharply but gilts held steady and the FT Ordinary index closed 17.1 lower at 1,264.4. Page 44



DOLLAR closed in New York at DM 1.9875; SFr 1.6285; FFr 6.5098 and Y 154.725. It rose in London to DM 1.9870 (DM 1.9745); FFr 6.5075 (FFr 6.4675); SFr 2.3325 (SFr 2.3200); FFr 9.3100 (FFr 9.2575), and to Y221.50 (Y220.75). The dollar's exchange rate index rose 0.2 to 67.5. Page 38

STERLING closed in New York at $1.4325, fell in London to $1.4305 ($1.4315). It rose to DM 2.8425 (DM 2.8275); SFr 2.3325 (SFr 2.3200); FFr 9.3100 (FFr 9.2575), and to Y221.50 (Y220.75). The dollar's exchange rate index rose 0.2 to 67.5. Page 38

GOLD rose $6.50 to $426.875 on the London bullion market. It also rose in Zurich to $426.25 from $419.25. In New York the December Comex gold settlement was $428.5. Page 37

CRÉDIT DU NORD, one of the major French retail banks, reported a loss of FFr 241.5m ($37.4m) for the first half of this year compared with a profit of FFr 65.7m in the same period last year. Page 21

PIRELLI, the Italian tyre and cable group, boosted six-month profits by 55 per cent on turnover up at $2.3bn against $1.7bn in the same period of 1985. Page 21

HUMANA, the fast-growing US healthcare and hospital group, posted a $108m fourth-quarter loss, in line with the company's earlier forecast. Page 21

CAMPEAU, the Canadian property developer, further sweetened its offer to Allied Stores shareholders with a cash offer of $66 a share. Page 21

B.F. GOODRICH, the US tyre group which started a joint venture with Uniroyal on August 1, has boosted third quarter earnings to $16.8m against $800,000 for the year-ago period. Page 21

CIMENTS FRANÇAIS, the leading French cement producer, has offered to buy the outstanding shares of Canada's Lake Ontario Cement for C$155.8m ($112m). Page 22

CANADIAN TIRE'S founding family members have put 1.4m voting shares up for sale, worth between C$50m (US$36m) and C$70m. Page 22

ROYAL TRUSTCO, one of Canada's two largest trust companies, saw earnings up at C$117m ($84.2m) or C$1.69 a share against C$88m or C$1.47 a year earlier. Page 22

MARSH & McLENNAN of the US, world's biggest insurance broker, has continued strong growth trends of its first six months into the third quarter, lifting net profits 52 per cent. Page 22

NOBEL Swedish armaments and chemicals group, reported a 58 per cent increase in profits for the first eight months this year. Page 22

Machel death leaves power vacuum in Maputo Government

BY ANTHONY ROBINSON IN JOHANNESBURG

MOZAMBIQUE'S Frelimo Government yesterday went into a seven hour emergency session to discuss the power vacuum left by the death of President Samora Machel on Sunday night.

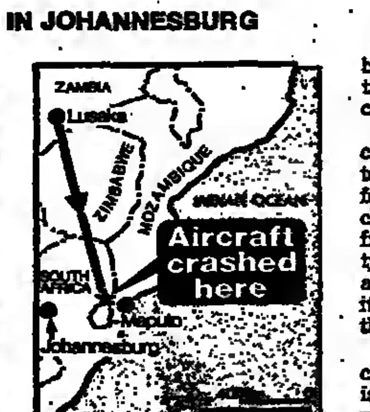
The meeting was held as his badly mutilated body was being flown back from the crash site just inside South African territory.

Radio Mozambique had still not announced by evening that the President was dead. Nevertheless, Mozambicans wept in the streets and the Radio played solemn music.

The Soviet-built aircraft carrying 39 people crashed into a hillside only one kilometre from the South African – Mozambique border on Sunday night during a storm. There were 10 survivors although one is critically ill.

The aircraft was carrying Mozambican leaders back from a summit meeting attended also by leaders of Zambia and Zaire at a lakeside venue in northern Zambia designed to persuade Zaire to cease its alleged assistance to Unita rebels fighting the Angolan Government.

The death of President Machel, a charismatic leader of boundless energy who led the country to independence 11 years ago, leaves a power vacuum in Maputo at a time when the country is facing a serious military threat internally from the rebel Mozambican National Resistance (MNR) and further economic dislocation due to the recent South African decision to repatriate Mozambican workers.



Renewed South African pressure, following a landmine explosion close to the Mozambican border which wounded six white soldiers three weeks ago, was aimed partly at trying to force President Machel to drop the more ideological members of his regime and seek a negotiated compromise solution to the civil war.

An official commentary by state-controlled South African radio yesterday indicated that what Pretoria fears now is that President Machel's successors may be drawn from the pro-Soviet wing of the party who might be tempted to seek additional Soviet-bloc or Cuban military assistance to combat the MNR threat.

In recent months President Machel has sought increased US, British and other Western assistance as well as Zimbabwean troops to guard the vital Beira oil, rail and road corridor between Zimbabwe and Beira port and has sought to underline the country's non-aligned status.

A successor to President Machel will eventually be chosen by the party central committee and the Peoples' Assembly in a process modelled on the Soviet pattern.

At this stage the main contenders appear to be Dr Dos Santos, Mr

Continued on Page 20

Background and analysis, Page 4; Editorial comment, Page 18

Aquino coalition faces threat from Enrile

BY STEVEN BUTLER IN MANILA

THE coalition government of Mrs Corazon Aquino, the Philippine President, appeared to be heading for crisis yesterday as her Defence Minister, Mr Juan Ponce Enrile, returned to Manila from the southern Philippines where he issued the clearest threat yet that he might break away from the coalition.

Three Cabinet ministers have now openly called for Mr Enrile's resignation, and a showdown appears inevitable at a Cabinet meeting scheduled for tomorrow morning. Mr Enrile has not said clearly how he would respond to calls for his resignation. He said at the weekend, in the city of Cebu, however, that if any member of the coalition government was asked to resign then the coalition would have to be dissolved.

Government officials confirmed that Mr Salvador Laurel, the Vice President and Foreign Minister, had been asked to cancel a scheduled trip to the EEC-Asean foreign ministers meeting in Jakarta in order to mediate among the warring factions in the Cabinet.

US officials in Washington yesterday stressed the US's "strong and unequivocal" support for Mrs Aquino and said it was braced for the departure of her outspoken Defence Minister.

Mr Enrile was Defence Minister in the Government of the discredited former president Mr Ferdinand Marcos. His defection from the Marcos regime at a critical moment in the so-called revolution which brought Mrs Aquino to power last February was one of the critical factors in her triumph.

Mr Enrile's remarks about the coalition being dissolved have been interpreted to mean that he would no longer recognise the Government and might stage a breakaway coup with supporters in the military.

He appeared to be building a case that the Aquino Government would lack legal standing if any member of the coalition were forced out. The military had originally recognised Mrs Aquino's presidency on the grounds that she won the elections in February, which were based on the 1973 constitution. The military had objected strongly in April when Mrs Aquino scrapped the 1973 constitution and declared a revolutionary government.

Mr Enrile has said in recent weeks that Mrs Aquino ought to stand for election again in order to establish without doubt the legitimacy of her office. Transitory provisions of a draft constitution to be submitted to a plebiscite in January call for Mrs Aquino's term of office to be extended six more years until 1992.

Yesterday, the Nationalist Party, led by a close political associate of Mr Enrile, announced that it would campaign to defeat the constitution.

Diplomats believe that Mr Enrile's trip over the weekend to Cebu and Zamboanga was designed in part to firm up support among local commanders for any possible military action. Mr Enrile travelled with the senior operational commander from the air force, and speculation has centred on a possible role for the island of Cebu, which is a strategic military hub for the southern Philippines.

Senior military officials travelling with Mr Enrile expressed alarm at the Government's unwillingness to take stiff action against communist insurgents, believed to number about 22,500. They said that the military would lose its advantage over the insurgents within about four months unless they moved quickly.

Continued on Page 20

British Gas shares will be sold through international network

BY LUCY KELLAWAY IN LONDON

THE BRITISH Government has appointed banks in all the leading world financial centres to act as possible vendors of British Gas shares when the corporation is privatised next month.

Although no firm decision has yet been taken on how much – if any – of the £5bn to £8bn ($7.1bn to $8.5bn) issue is to be sold overseas a sales network of unprecedented scale and complexity is in place to handle a foreign offering of the shares.

The banks have had to demonstrate that a local market in the shares will exist. To this end, they have agreed to commit their own capital if necessary to buying British Gas shares once dealings start, to lend support to the market if local buyers cannot be found.

Each bank has also undertaken to carry out thorough research into the business of British Gas and to ensure that their clients are well informed. Teams of foreign analysts have already visited London, and documents for internal circulation and for clients have been written.

The aim of such unusually onerous demands is to avoid a recurrence of the foreign sale of British Telecom shares, which was widely regarded as an embarrassing flop. In the US, in particular, two thirds of the shares placed returned to the London market within the first two or three days of dealings, leaving US investors with profits of up to 100 per cent.

In order to ensure that good local demand exists for the British Gas shares, the scope of the foreign issue is likely to be comprehensive, spanning all major investing countries. Only the US, Canada and Japan were chosen for the Telecom sale.

In addition, pressure is being applied to the foreign banks to find long term investors for the shares, and they will be encouraged to place them with private individuals as well as with financial institutions.

British Gas will be the world's largest flotation and therefore will need the largest possible audience to ensure that the issue succeeds. Furthermore, the greater the ranks of potential investors, the higher the price the shares can safely be sold at.

GM to sell S African operation to local investors

By William Hall in New York

GENERAL MOTORS, the world's largest car manufacturer, confirmed yesterday it is to withdraw from South Africa. It plans to sell its more than 50-year-old operations to a group headed by local management which will permit the new company to continue to build GM-type vehicles.

The US car company is the biggest company in the US and its decision to quit South Africa comes less than a week after Royal Dutch/Shell warned that it might pull out of South Africa unless the apartheid system was ended.

Both announcements are the latest indication of the increasing pressures facing the dwindling band of major US corporations, such as IBM, Mobil, Ford and Chevron, which continue to operate in the troubled country. Coca-Cola, Procter and Gamble and Baxter-Travenol, are among the US household names which have recently announced plans to quit South Africa in recent months.

General Motors' decision is especially significant, not only because of the size of the company, but because it has long been a supporter of the Sullivan code, named after the Reverend Leon Sullivan, a black minister and long standing GM board director.

The 10-year-old Sullivan code encourages US companies to eliminate racial discrimination in their South African operations and has been the way most US companies have been able to justify their continued involvement in South Africa in the face of increasingly hostile questions from some large institutional investors.

Mr Roger Smith, General Motors' chairman, said yesterday that there were several factors behind the decision. "General Motors South Africa (GMSA) has been losing money for several years in a very difficult business climate, and, with the current structure, we could not see our operations turning around in the near future," said Mr Smith.

However, Mr Smith made it very clear yesterday that in common with other leading international businessmen, he is far from happy with the deteriorating political situation in South Africa.

GMSA employs around 3000 people in South Africa and sells its products through a network of 200 dealers. It produces cars and commercial vehicles based on the designs of GM affiliates in Japan and West Germany at a plant in Port Elizabeth.

GM said yesterday that it would not retain a stake in the local company

Britain rejects plea from Pöhl to join EMS

BY PHILIP STEPHENS AND MICHAEL CASSELL IN LONDON

THE British Government indicated yesterday that it did not intend to take sterling into the European Monetary System before the next general election, despite a strong plea for Britain to join from Mr Karl Otto Pöhl, president of the West German Bundesbank.

After talks in London between Mr Pöhl and Mrs Margaret Thatcher, the UK Prime Minister, British officials said that there had been no softening in Mrs Thatcher's opposition to full British membership of the EMS ahead of the election, which must be held by June 1988.

The rejection of EMS membership as an option to stabilise the pound after its recent sharp depreciation will disappoint Mr Nigel Lawson, the Chancellor of the Exchequer who has favoured for some time a move formally to link sterling to the D-Mark.

In a speech to the German Chamber of Commerce in the UK before what was described as a "courtesy" visit to Downing Street, Mr Pöhl said that sterling's participation in the EMS exchange rate mechanism would benefit both Britain and the rest of Europe.

The central bank president reaffirmed his view that the sharp fall of the dollar over the last 18 months had now "gone far enough". A further significant depreciation of the US currency would run the risk of stifling growth in Europe and triggering higher inflation and interest rates in the US.

Mr Pöhl said that the dollar's decline so far presented governments with the chance to promote a period of greater stability in the foreign exchange markets, a process which would be assisted by sterling's participation in the EMS.

"An enlargement of the fixed exchange rate area in Europe may be a promising way of gaining stability in the monetary system as a whole ...I seriously believe that the prospects for more stability in the exchange markets have improved," he said.

Mr Pöhl said he understood the reservations of the British Government in the light of recent fluctuations in currency markets. But although an exchange rate mechanism in Europe which included Britain might be difficult to manage, it "would be worth the effort."

West German financial leaders have long made it clear that they would welcome British membership of the European Monetary System, but yesterday's plea was given added significance by sterling's recent troubles.

Mr Lawson's view that the frequent sterling crises which have buffeted the UK over the last few years could be at least partially

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Money Markets, Page 37

UK jobless unlikely to fall before 1990

BY MICHAEL CASSELL IN LONDON

THERE IS unlikely to be much improvement in the UK's unemployment total for the rest of this decade, the Government has told the EEC's regional policy committee.

The potentially highly embarrassing figures are given in a Department of Trade and Industry report drawn up to support the Government's bid for more cash from the European Regional Development Fund.

The Government studiously avoids making public any projections about unemployment, and the report was not intended for public consumption. Its contents were disclosed yesterday by Mr Gordon Brown, the Labour Party opposition spokesman on regional affairs, who intends to raise the issue in the House of Commons in the next few days.

At the weekend Lord Young, Employment Secretary, said he was increasingly optimistic over prospects for a fall in unemployment and that the figures "may well be at a point of significant change."

The DTI report projects a 1990 total for the number of wholly unemployed people in the UK of 3.11m compared with September's seasonally adjusted total of 3.19m.

The DTI emphasised yesterday that the document, submitted to the EEC in late July, was not secret but intended as a working document for use by the UK Government and the EEC Commission. It stressed that the figures in the report were assumptions, not forecasts or predictions.

Ministers were last night trying to limit the impact of the report's

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UK retail sales, Page 13

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EUROPEAN NEWS

Mintoff's successor has been reversing radical policies, **Margie Lindsay** writes

Bonnici quietly changes Malta's image

A COLLECTIVE sigh of relief was breathed by the population and the diplomatic community when former Maltese Prime Minister Dom Mintoff decided to hand over the reins of power in December 1984.

His hand-picked successor, Prime Minister Carmelo Mifsud Bonnici, bas sioce been steedily and quitly reversing most of Mr Mintoff's more radical policiee and trying to put the country on a more even footing in time for the next election, planned for next May.

Despite portests from the opposition Nationalist Perty leeder, Mr Eddie Fenech-Adami, that the Labour Government is "only making cosmetic changes," the Prime Minister has changed both the domestic and international image of Malta since he came to office.

With a populetion of about 330,000, Malta is more akin to an English county town than a European power. However, its position in the Mediterranean, midway between Europe and North Africa and the Middle East, is seen (by the Maltese) as of strategic importance.

It is unlikely that Mr Bonnici or Mr Fenech-Adami would want to change Malta's non-aligned status. As Mr Bonnici explained recently, Malta's neutrality is active: it will allow neither the US nor the Soviet Union to use its ports for military vessels, nor will it allow a military base on the island. One of Mr Mintoff's first aims was the removal in 1979 of the Nato, British-run naval base. The re-eppearance of a Nato base on the island is unlikely.

Mr Mifsud Bonnici . . . neutrality is active

Aside from patching up the differences with the British Government through the recent visit of the frigate HMS Brazen (although the people of Malta never displayed any anti-British feelings), Mr Bonnici is realistic about Malta's role within Europe.

After several years of Mr Mintoff's ettempts at strengthening trade and economic ties primarily with Eastern Europe, North Africa and the Soviet Union, it is clear that the best and biggest investers in, and trading partners with Malta lie in Western Europe.

Although Mr Bonnici, unlike the Nationelist Party, does not advocate EEC membership, be is confident that an agreement outlining a special relationship between Malta and the EEC will be signed by the end of the year.

Meanwhile, Mr Bonnici has managed to calm one of the biggest—and potentially most explosive—issues on the island. This related to the funding of private, mainly Catholic, schools.

The debate, which at one stage looked likely to end in public disorder, was a legacy of Mr Mintoff. Mr Bonnici's more conciliatory approach meant thet the row was cleared up.

Mr Bonnici'e pragmatic approach is also seen in his economic policies. The current wage freeze and price control policy is likely to be lifted before the election. But the policies have belped to keep inflation down; it is now under 1 per cent.

Net foreign assets at end-May totalled M£516.5m (£284m), desipte a disastrous loss of M£80m earlier in the year due to poor investment judgments by the Government under Mr Mintoff.

Malta's trade performance in the first balf of the year was disappointing, with exports totalling M£ 79.2m (£43.6m) compared with imports of M£ 143 9m (£79m). But tourism, the main money earner, showed a healthy increase of just over 10 per cent in the first five monthe of this year, compared with the same 1985 period.

Mr Eddie Fenech-Adami . . . "only cosmetic changes"

Mr Bonnici, unlike his predecessor, seems to recognise the importance, and economic power, of the private sector. Tha policy in which banks, energy, air travel and some other industries were nationalised is unlikely to be reversed by the present Government. But Mr Bonnici has begun a dialogue with the private sector, represented by the Federation of Industry.

This group recently commented on the Government's proposed three-year (1986-88) development plan, published in July. Although the Federation is critical of some points, in the main it supports some of the main planks of the plan.

These include the setting up of an export promotion council, export credit insurance and an import substitution policy.

The main problem, as the Federation sees it, is attracting new investment to Malta. Although investment has continued during the Labour Party's term in office, it has dropped off over the past five years.

The more economically-balanced policies now being pursued by Mr Bonnici's Government may help reverse that trend, but the Nationalist Party insists that only it will be eble to restore international confidence in the country.

The Nationalists intend, if elected, to limit the Government't control of the banks to a majority share-holding only. They would also put together a package of incentives geared at attracting new capital investment.

One of their main priorities, as with the Labour Party, is cutting unemployment, which is officially put at around 7-10 per cent, but according to the Nationalist Party, closer to 17 per cent.

Although it is now difficult to spot the differences between the two main political parties, in a country where arguing appears to be the favourite pastime, the pre-election period promises to be e lively one.

Jaruzelski hits at plea by Walesa on sanctions

By Christopher Bobinski in Warsaw

GEN Wojciech Jaruzelski, Poland's military leader has sharply attacked a recent appeal by Mr Lech Walesa, former leader of the banned Solidarity union, and prominent Polish intellectuals, for the lifting of remaining Western sanctions.

Speaking in Katowice at the weekend, the general hinted at the possibility of renewed repression against those Solidarity activists who are openly attempting to secure a return of their banned union.

Solidarity's conciliatory statements were aimed merely at winning official tolerance, the General stressed.

This dismissve tone augurs ill for the general's hopes of broadening his base of support by getting independent-minded people with Solidarity sympathies onto an official advisory council be has suggested.

The speech to Communist Party delegates in Poland's most beavily-industrialised area came just after the publication of economic figures for the first nine months of the year.

These show industrial output going np by 4.7 per cent, a record grain barvest of 25m tonnes, up 5 per cent on last year, but a 3.5 per cent fall in crucial hard currency sales abroad.

Italian lorry drivers clog roads in protest at safety decree

BY JOHN WYLES IN ROME

THE PATIENCE of the Italian car driver, a scarce commodity at the best of times, will be sorely tested for the remainder of this week by the presence on the country's ordinary roads of thousands of heavy lorries all scrupulously observing the 60 kph speed limit.

Until Sunday, the owners of up to 350,000 "autotreni" are boycotting the motorways and promising strict observance of speed limits in protest at a government decree imposing new safety measures on the transport of heavy goods.

The prospect of lorry convoys stretching as far as the eye can see in itself poses e major safety hazard which the anthorities hope to minimise. But it also threatens long delays in the delivery of everything from motor cars to perishable goods et a serious cost to the economy.

The traffic police plan to deploy a mini-squadron of 20 helicopters to detect the build-np of convoys and some 3,000 patrols to try to prevent them.

Given tha nbiquity of the heavy lorry—which accounts for around 80 per cent of goods transported in Italy—there is no great confidence that the traffic managers will be up to the task.

The government decree which has just come into force was adopted last month in the wake of growing public concern about alleged dangerous driving practices of a moniority of lorry drivers.

The climax came et the end of August when an entire family of seven died in the early hours of one morning when a lorry crossed the central reservation of the main A2 motorway north of Naples and careered into their van.

The motorway speed limit for beavy vehicles is 80 kph and it has been claimed that the lorry was racing with another.

The transport companies are warning that the new decree is repressive and will push up transport costs by 30 per cent. It introduces heavier fines for speeding and penalties of up to L4.5m (£2,350) for overloading and travelling without the tachograph required by EEC law for monitoring speeds and hours worked. Drivers can lose their licences after three offences within 12 months.

The law applies equally to foreign - registered lorries, which may be detained unless penalties are immediately paid, or unless the offender has e special insurance policy guaranteeing payment.

The government has been consistently promising to deal with one of the major underlying causes of the heavy lorry problem—the absence of an integrated transport policy. In particular, the efficiency of the state railways bas fallen so low that they hardly compete at all with road carriage of goods.

The railways' 11.7 per cent share of the goods market is one of the lowest in Western Europe. Mr Claudin Signorile, Minister of Transport, is working on a plan for special lorry-carrying trains whose puntuality will be "guaranteed."

Controversy in France over Mali expulsions

BY PAUL BETTS IN PARIS

THE FRENCH Government has touched off a fresh political controversy by its decision to expel 101 illegal immigrants from Mali.

The immigrants were sent back to Bamako, the capital of Mali, in a DC-8 jet specially chartered by the French Interior Ministry. It was the largest single expulsion order and the first significant application by the Government of the toughened immigration law introduced at the beginning of September.

The law gives the French Administration full power to expel immigrants who do not have proper papers. The Mali nationals either did not have papers or had irregular papers.

The mass expulsion immediately provoked e bitter attack from French left-wing anti-racist organisations such as SOS Racisme, and various trade unions.

The move was also criticised by Mr Claude Malhuret, Secretary of State for Human Rights, who said the expulsions were perfectly regular but the spectacular way they were made "could have given to some people the impression that France had launched a hunt against foreigners."

The expulsions come barely a month before President François Mitterrand is due to visit Mali. They have also rekindled controversy over the Government'e decision to step up police search-and-arrest powers and toughen the immigration system.

The Government's harder line towards security and immigration had won broad public consensus during the past few weeks after the terrorist bombings in Paris last month.

However, many feel Mr Charles Pasqua, Interior Minister, and Mr Robert Pandraud, Security Minister, have acted too brutally in this first application of the new immigration law.

FINANCIAL TIMES

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EUROPEAN NEWS

West Germany urged to speed cuts in taxes

BY DAVID MARSH IN BONN

THE West German Government was urged yesterday by the country's five leading economic research institutes to speed up tax cuts to prevent growth next year running out of ateam.

Although the five institutes are projecting further steady real growth in the West German economy of 3 per cent uext year — the same as iu 1986 — they pointed yesterday to the risks that expansion would ehb in the second half of 1987.

The debate about the German economic outlook is now focusing on the uncertainties for next year following the refusal of the Bonn Government during the last few weeks to give in to pressure from the Reagan Administratiou to take any short-term stimulatory action.

A strong body of opinion both abroad and at bome—including senior figures from the Bundesbank, the West Germau central bank — bas beeu calling for the Government's tax reduction plans, at present scheduled for January 1988, to be brought forward by a year.

Taking this measure, the fiva institutes yesterday argued in their regular autumn report on the ecouomy, would guard against the danger that the preseut consumer-fuelled upturn would peter out.

The institutes said that the DM 10bn (£3.5bn) tax cut could be made retroactive to January 1 1987 if this measure was decided hy Parliament around the middle of uext year.

The centre-Right coalition government, whose hopes of victory in the general election in January have beeu increased by the pick-up in the ecouomy since the summer, wants to postpone until after the poll any discussion of possible stimulatory action for next year.

Yesterday's report from the five institutes — from Berlin, Hamburg, Essen, Kiel and Munich — forecasts that, even with the German upswing entering its fifth year in 1987, unemployment next year will remain above 2m.

With the rise in employment slowing next year to 250,000 from 300,000 this year, the number of peopla out of work is expected to total 2.12m next year against 2.28m this year, making up 8.5 per cent of the workforce against 9 per cent in 1986.

In spite of continued steady economic growth and a projected further sharp rise in import volumes, the institutes forecast only a modest fall in Germany's large external surpluses.

The curreut account surplus is expected to total around DM 60bu uext year after DM 70 bn in 1986.

The institutes say foreign exporters are benefiting from the domestic expansiou and from the strong D-Mark to increase their share of the West German market.

But the persistence of high trade and current account surpluses next year will probably lead to more pressure from the US and other countries for West Germany to take expansionary action to suck in more imports.

On inflation, the institutes foresee a return to consumer price rise of 1.5 per cent next year after a fall of 0.5 per cent this year caused above all by the drop in the dollar and in the oil price.

Fresh twist in Neue Heimat tale

BY PETER BRUCE IN BONN AND ANDREW FISHER IN FRANKFURT

THIS WEEK'S conference iu Hamburg of the big West German metalworker's union, I. G. Metall, was always going to be a highly charged affair.

Tough plans for forcing a cut in the working week to 35 bours would be hammered out. It has all turned out to be mnch worse.

On Sunday, just befora the opening ceremonies, two policemen walked into the conference centre and demanded that Mr Alfons Lappas, 57, chairman of a giant holding company owned by West Germany's unions, be handed over to them for arrest.

They got him eventually, but not before the conference had whipped itself into e near frenzy of indignation and outrage that bodes even more ill for the bad relations between the unions and Chancellor Helmut Kohl's Government.

"I was taught by my teachers that 1933 would never happen again," roared Mr Günter Schröder, head of the police union, to wild applause. "Those responsible for this have chosen the I. G. Metall conference to show their power."

If that is true, it might have have beeu a mistake. Though somewhat reduced by unemployment, the country's unions, most prominently I. G. Metall, are spoiling for a fight with the Government and are actively campaigning against its re-election.

Mr Lappas, arrested on the orders of a parliamentary committee controlled by Mr Kohl's coalitiou, is chairman of the Beteiligungsgesellschaft für Gemeinwirtschaft, the BGAG, a holding company owned by the unions.

The BGAG controlled the giant Neue Heimat property group which, with liabilities of DM17bu (£6bn) was sold last month for a nominal DM 1 to Mr Horst Schiesser, who is in the baking business.

A major financial and political scandal has erupted in Germany about the terms of the sale, with 150 banks concerned for their DM 12bu loans and some 190,000 tenants for their homes.

Last wek Mr Lappas refused to talk about the sale to the 11-member Bundestag commission investigating even older scandals at Neue Heimat. Seven members—fiva Christian Democrats, a Free Democrat and, not surprisingly, a Green—then voted to apply for his arrest.

Mr Lappas is not popular even inside the uniou movement, but bis arrest will bridge for a while deep divisions among uniou leaders about the sale just as it was beginning to eat away at morale.

He is one of the survivors of the old Neue Heimat leadership that fell apart amid corruptiou charges in 1982 and only hours before his arrest he was being attacked by a meeting of uniou bosses because of his refusal to testify.

But for the moment Mr Lappas is a worker's hero. His concern for secrecy may, in fact, have more to do with what he is thought to be planning for the rest of the BGAG holdings than with any specific embarrassments over Neue Heimat.

Mr Herst Schiesser

The Neue Heimat row has also raised doubts about whether the unions should be in business at all, because with the sale, the credibility of *gemeinwirtschaft*, or business for the collective good, has been ruined. Certainly, flotation with the debt-ridden Neue Heimat as a sister-company would hava been impossible.

It may still not be. Neue Heimat's creditor banks have uot let the BGAG off the hook yet. The affair has weakened bank shares ou the Frankfurt Stock Exchange and anxious bankers are now studying a thick wad of documents handed over to them during uine bours of talks with Mr Schiesser late last week.

Despite Mr Schiesser'a confidence last Friday that be knew of no other banks taking independent actiou to protect their loans—as two do—there were no guarantees after the talks that some other creditor-banks would uot try to place arrests on assets.

Mr Schiesser's strength, though, is the sure knowledge that the liquidation of Neue Heimat would be a greater disaster for the banks (and the Government and the unions) than for him.

Yet losses at Neue Heimat are running at some DM 600m a year. Mr Manfred Meier-Preschany, a former Dresdner bank executive called in earlier this year to help Nene Heimat recover, said last week that some DM 4bn needed to be pumped in to the group to sava it.

All Mr Schiesser, who describes Neue Heimat as "a company capable of being cured," has wou so far is an agreement hy the banks to stand by their existing debt moratorium arrangements.

While the banks try to hold the ring and prevent more smaller creditors from calling in their loans too early, the Government appears to be trying delicately to separate debate over the future of Neue Heimat from its desire to attack the unions for selling It.

Opec paralysed by disagreement over surplus production

BY RICHARD JOHNS IN GENEVA

THE ORGANISATION of Petroleum Exporting Countries (Opec) remained paralysed last night by the deep division over distributing an extra 200,000 barrels a day of production during the last two months of 1986.

Prospects were still uncertain, after 15 days of the conference, for an interim pact limiting collective output and extending quotas. The quotas are due to expire at the end of this month.

Kuwait would not compromise its demand for a 10 per cent increase in its quota with the addition of another 90,000 b/d. It said any agreement would have to be on its terms.

The question was whether the majority would capitulate rather than risk a return to the free-for-all among members and a collapse of prices to less than $10 per barrel. Kuwait has the support of Saudi Arabia and other Arab producers in the Gulf, accounting for five of the 13 members.

An extra 200,000 b/d would effectively raise Opec's ceiling to more than 17m b/d. Kuwait and Saudi Arabia have proposed that 90,000 b/d should go to Kuwait, 40,000 b/d to Qatar, 45,000 b/d to Ecuador and 25,000 b/d to Gabon.

Iraq is not a party to the interim pact. The United Arab Emirates (UAE) violated its quota of 950,000 b/d in September by about 350,000 b/d. Despite an assurance by UAE president Zayed at the start of this meeting that the country would curb its rate, no instructions have been given to the operating companies to cut export sales, according to industry executives.

Kuwait rejected out of hand an alternative proposal by Mr Rilwanu Lukman, Nigerian minister of oil, and current president of Opec. Under it Ecuador and Gabon would share 65,000 b/d. The rest, be suggested, should be distributed among other members (excluding Iraq) on the basis of the proportion set under the existing pact. The idea was that Saudi Arabia would make over its extra entitlement to Kuwait thereby giving the latter an additional 45,000 b/d.

This was totally unacceptable to Kuwait and therefore, its allies, which are seeking to exert once and for all their decisive muscle, particularly at the expense of Iran.

Kuwait wants to establish its "right" to a bigger share of Opec output and parity with Libya, which has a quota of 990,000 b/d under the present arrangement.

EEC ministers step up fight for small businesses

BY WILLIAM DAWKINS IN BRUSSELS

EUROPEAN industry ministers yesterday for the first time put their full authority behind efforts to reduce administrative burdens on businesses in the community.

They agreed that cutting away at the tangle of red tape was of prime importance in assisting the growth of small and medium-sized enterprises and thus in reducing unemployment. Business deregulation, they emphasised, was a necessary part of the creation of the internal market, a task which the EEC is pledged is complete by 1992.

"The removal of administrative burdens on business is as important as the harmonisation of regulations. It is vital that measures designed to help businesses do not inadvertently cause them further difficulty," said Mr Giles Shaw, Minister of State at Britain's Department of Trade and Industry and president of the Council of Industry Ministers.

Mr Shaw added that the UK would "be working hard to get real progress" on these measures before tha European Council meets in London in December.

Yesterday's declaration was designed to add muscle to the efforts of a small task force set up in June within the European Commission to scrutinise the business costs of community regulations, to assess the financial impact of job creation measures and to co-ordinate the commission's work in this sector.

Under Mr Abel Matutes, the Spanish commissioner with special responsibility for small businesses, the task force now submits analyses of the costs for companies complying with each new commission proposal.

Its approval must be secured for each new measure that might have an impact on businesses. The task force has also commissioned a review from a private legal firm ou the implications of existing regulations.

Portugal meets goal of cutting inflation to 12%

BY DIANA SMITH IN OPORTO

PORTUGAL'S miuority Social Democrat government broadly met its 1986 goals of bringing down bigh inflation from 19.5 per cent in 1985 to 12 per cent this year, according to Mr Miguel Cadilhe, the finance minister.

Iu a confidently optimistic speech to the annual semiuar for 140 foreign bankers organised by the Banco Portugues do Atlantico, Mr Cadilhe stressed that the successful reductiou of inflation in 1986 plus correction of current account imbalances — with a balance of payments surplus of $1.5bn (£1.04bu) this year against e forecast $700m deficit — more flexible wage policy, stabilisation of the escudo and easier credit, bad stimulated much-needed new iuvestment.

He forecast that investment would grow by 10 per cent in 1987.

Last week, introducing the 1987 budget, Mr Cadilhe stressd that indicators pointed to a healthy increase in investment this year—with marked improvemeut over previous years in consumption of cement, in housing loans, and in imports of transport materials and machinery.

In 1987, Mr Cadilhe predicted, inflation would be 8 or 9 per cent, dropping close to European averages at 5 or 6 per cent by 1988. The current account surplus in 1987 should be $600m

The government's medium-range goal, the minister added, was to cut back the large public sector deficit. This process had begun this year, wheu the real deficit, compared with the forecast deficit, would drop to 10 per cent of GDP, against a forecast of 10.9 per cent.

In 1987, the forecast state deficit of Es 435bn (£2.06bn) would represent just under 9 per cent of GDP.

Hopes rise for break in Belgium's political crisis

BY TIM DICKSON IN BRUSSELS

THE POSSIBILITY of a three-month truce to Belgium's bitter linguistic dispute provided a glimmer of hope yesterday that the country's growing political crisis can yet be averted.

Observers in Brussels pointed out, however, that much will depend on how Mr Wilfried Martens, Prime Minister of the centre - right coalition of Christian Democrats and Liberals, answers opposition questions on the subject in Parliament this Thursday.

Divisions between the French and Flemish speaking wings of the Christian Democrat party (respectively the PSC and CVP) were opened up earlier this month by the sackiug of Mr Jose Happart, the French-speaking mayor of Les Fourons for refusing to speak the official local language, Flemish.

An ettempt this weekend to find a compromise solution ended with the resignation of Interior Minister Charles Ferdinand Nothomb.

The idea of a truce was first raised on Sunday by the French - speaking Christian Democrats and cautiously endorsed yesterday by the CVP, amid comments ou all sides that the Government's economic and social reforms should take priority over other problems.

Last night, however, agreement seemed as far away as ever on the question of what happens to Mr Heppart in the interim.

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THE DEATH OF MOZAMBIQUE'S PRESIDENT

Rebels say death will hasten end of war

By Peter Wise in Lisbon

RIGHT-WING rebels fighting to overthrow the Mozambican Government said in Lisbon yesterday that President Samora Machel's death had dealt a devastating blow to the army and the ruling Frelimo Party that would hasten the end of the country's nine-year guerrilla war.

"Machel was holding the country together," said Mr Evo Fernandes of the Mozambique National Resistance. "No one can replace him. He was the last link between the people and the Government."

He said the charismatic president, who toured the country tirelessly encouraging soldiers and workers, was the mainstay of army morale and the only man who could hold together the feuding factions in the ruling Marxist Party.

"The army was already totally demoralised and thousands of soldiers were fleeing into neighbouring countries," Mr Fernandes said. "They are losing their capacity to fight."

Mr Paulo Oliveira, of the MNR, said President Machel's death would bring the war to an end more quickly. "For the moment our military push will continue." He said he had no information on what caused the crash.

Rebel spokesmen in Lisbon were the first to state specifically that Mr Machel and top ministers had been killed in the crash. But they refused to disclose their sources.

The rebels, backed by South Africa, launched an offensive in the north and centre of the country this month and have claimed the capture of several strategic towns. They say they have killed 300 Zimbabwean troops.

Mozambican officials have called for more reinforcements from neighbouring Zimbabwe to meet the offensive and Britain has agreed to send military experts to train the army.

Mr Machel died as tensions between the two countries again rose to a head. Mozambique has accused South Africa of planning a raid on Maputo and the director of the national news agency, Aim has said Mr Machel could be the target of a South African assassination attempt.

Anthony Robinson assesses the tragedy of Machel and his country

A man of peace caught up in wars

FOR 11 years until his death in an air crash on Sunday night President Samora Moises Machel of Mozambique presided over one of Africa's most tragic post-independence disaster stories.

Yet Machel, 53, an Algerian trained former guerrilla leader who led his country to independence in June 1975, managed to retain a personal credibility which enabled him to plead his country's case for help and understanding both in Western capitals and in Moscow and also to survive the failure of the Nkomati accord with South Africa in March 1984.

His death leaves a leadership vacuum at a time when the Government is again under strong pressure from Pretoria and deeply embroiled in an apparently endless civil war with the Mozambican National Resistance rebels led by another former Frelimo guerrilla, Mr Afonso Dhlakama. Mr Marcelino dos Santos, the veteran partly ideologue, has taken over the reins of Government until the party central committee elects a new leader.

Born into a peasant family in the southern province of Gaza in October 1933, Machel was forced to cut short his education and worked as a hospital porter in then the Portuguese colonial capital, Lourenco Marqes, before crossing the frontier into Tanzania in 1963 to join the Frelimo Liberation Movement founded by Mr Eduardo Mondlane, a veteran nationalist, the previous year.

After guerrilla training in Algeria he returned to set up the first Frelimo training camp in Tanzania before leading his 250-man unit from the declaration of the armed struggle against Portuguese rule in September 25 1964. In 1968 he became commander-in-chief and in May 1970 acting president of Frelimo.

Weariness with the expense and unwinnability of the bush wars waged simultaneously by Frelimo in Mozambique and the three rival liberation movements in Angola contributed to the military coup to Portugal in 1974 and the subsequent dissolution of Portugal's colonial empire in Africa which lasted nearly 500 years. On June 25 1975 Mozambique formally achieved independence with Samora Machel as president.

It proved to be a bitter inheritance. Frightened by the blood thirsty-sounding Marxist rhetoric of the new government, more than 200,000 Portuguese colonists fled the country in the months before and after independence, taking their skills with them and often destroying much of what they left behind.

The great colonial estates were nationalised and turned into state farms. Factories abandoned by former owners and managers were handed over to workers' councils and thousands of abandoned homes were taken over.

Two years later, South Africa revoked its long standing arrangement under which part of the wages of Mozambicans working in South African gold mines were paid in gold and the number of miners employed was drastically reduced.

Shipments through the main port of Maputo also declined sharply. At the same time the Government's decision to support sanctions against the Rhodesian Government and assist the liberation movements fighting against the Smith regime led to retaliatory action by Salisbury of which the most fateful was the setting up of a radio station to beam anti-Frelimo propaganda. From this modest beginning sprang the Mozambican National Resistance whose supply and encouragement was taken over by South Africa after Zimbabwean independence.

Samora Machel: flashing eyes and much personal charm

Machel forged close links with Robert Mugabe, future leader of Zimbabwe, during the independence struggle and impressed on him the need not to repeat Mozambique's mistake and do all in his power to retain the confidence of whites and assure them of their future under independent black rule. It was the kind of pragmatic advice which indicated the way in which Machel's early ideological stance changed in response to the harsh realities of post-independence Mozambique.

But as the combination of incompetence, external pressure and spreading civil war sapped what was left of the economy Machel turned increasingly to the Soviet bloc for arms and military advisers, a move which did little to improve the military situation but reinforced the hostility of South Africa, which was originally traumatised by the sudden dissolution of the former colonial cordon sanitaire and its replacement by what Pretoria saw as Marxist dictatorships.

But when a classic Soviet-designed military operation to crush the South African-supplied MNR failed in 1983 Machel drew the obvious but humiliating conclusion that his Government would have to mend its fences with Pretoria. This coincided with President Botha's desire for a foreign policy initiative to improve South Africa's image at a time when it was about to embark on a programme of controlled political reform of apartheid at home.

After weeks of secret diplomacy, and continuing military and other pressure from South Africa, the two leaders finally met on the Nkomati River at sign what was billed as an historic agreement. To the dismay of frontline leaders and the African National Congress, President Machel formally signed an agreement to remove ANC bases from Mozambique in return for an undertaking that South Africa would cease its aid to the MNR and restore normal economic relations.

South African and foreign businessmen flocked to Maputo with hopes of major investment and trade deals, President Botha travelled around West European capitals proclaiming a new era in southern African relations and the ANC quietly decamped. But the euphoria was short-lived. Elements of the South African military and political establishment, deeply hostile to any kind of deal with a Marxist state, maintained clandestine contacts with the MNR.

As the civil war intensified, Machel embarked on a big diplomatic effort to drum up both economic and military assistance. He was able to project the image of a country doing all in its limited power to act as a stabilising force in southern Africa but hamstrung by invisible sabotage from abroad.

Earlier negative perceptions that the diminutive bearded Mozambican leader with flashing eyes and considerable personal charm was a Marxist ideologue dimmed after a series of meetings with western leaders such as President Reagan and Mrs Thatcher.

Yet he still retained enough credibility with the Soviet leadership to be welcomed in Moscow and assured of continuing military and limited economic assistance from eastern Europe. Ironically the US Government's decision to grant limited military, financial and food aid to Maputo outraged right wing senators and congressmen and also the South African military. Only two weeks ago General Magnus Malan, the hawkish South African Defence Minister, attacked both the US and the Soviet Union for superpower interference in southern Africa at the same time as he threatened military retaliation against Maputo for allegedly allowing ANC units back into the country.

Against such a background the shocked messages of sympathy and esteem emanating from South Africa yesterday have a hollow sound.

In a tribute to President Machel shortly after visiting the crash site yesterday, Mr Pik Botha, described Foreign Minister Machel as "a great leader of Africa" and added that his death was in nobody's interest. "All of us in Africa must think again. Machel wanted peace. My president, who got on well with President Machel, also wants peace. We must concentrate on getting negotiations off the ground."

Marcelino dos Santos: caretaker leader

Maputo economy in steep decline

By Tony Hawkins in Harare

PRESIDENT MACHEL'S successor will inherit a war-ravaged economy whose gross national product is estimated in Maputo to have declined almost 40 per cent since 1982.

The Mozambique Prime Minister, Mr Mario Machungo, told the people's assembly in July that after moderate economic growth between 1977 and 1982, GNP had fallen by a third by the end of last year. This decline has continued during 1986.

Mr Machungo said export crops had been particularly badly hit, with cashew nut production down by two thirds to 30,000 tonnes in the past five years while sugar output plunged from 177,000 tonnes in 1981 to only 23,000 tonnes last year. Cotton output has virtually ceased, falling to 5,000 tonnes in 1985 from more than 70,000 tonnes four years ago.

This is attributable not only to the war but also to several years of severe drought. Mozambique's Ministry of Trade said recently that the country was faced by a huge food deficit which would require food imports and food aid of 200,000 tonnes of grain between now and next April, almost half the estimated total of food consumed.

Pretoria's recent decision to repatriate an estimated 60,000 Mozambicans employed in South Africa will be a serious blow since Maputo depends on earnings from migrant workers and transport services to help offset its trade deficit. It is estimated that the South African move will cost Maputo $75m a year, more than a third of its estimated 1986 foreign currency earnings.

With exports dwindling as a result of the drop in farm output and the ports and railways—the other main source of visible income—subjected to repeated sabotage by the rebels, the balance of payments position is untenable and Maputo is unable to meet foreign debt repayments.

ANC claims South Africa is responsible for downing aircraft

MR SIMON MUZENDA, Zimbabwe's acting Prime Minister, and Mr Witness Mangwende, the Foreign Minister, have sent messages of condolences to Maputo extolling President Samora Machel's active role in bringing about independence in Zimbabwe, Tony Hawkins reports from Harare.

President Machel was a close friend and confidant to Mr Robert Mugabe, the Zimbabwean Prime Minister, who cut short a private visit to Britain to fly back home last night.

President Machel's death is viewed in Harare as a potentially crucial regional development. Zimbabwe has about 6,000 troops in Mozambique protecting road, rail and oil pipeline links.

In Copenhagen, the African National Congress, the main guerrilla group fighting white domination in South Africa, accused Pretoria of being directly or indirectly responsible for the crash, Reuter reports.

"We are saying it is a deliberately committed crime until it is proved otherwise because of the threats the apartheid regime has been making against Mozambique," the ANC general secretary, Mr Alfred Nzo, told a news conference in the Danish capital.

In Johannesburg the United Democratic Front anti-apartheid coalition also said in a statement that South Africa's recent verbal attacks and diplomatic measures against Mozambique "give us reasonable grounds to suspect South African involvement in this plane crash," AP reports.

In Washington, US officials expressed shock at Mr Machel's death, Reuter reports.

One official, who asked not to be identified, said it would have enormous implications for southern Africa.

In London, Britain expressed sympathy over the death.

The Foreign Office said: "President Machel was not only the architect of his country's independence . . . he (also) strove ceaselessly to bring peace to his own country and to the whole region."

In Sweden, one of Mozambique's biggest aid donors, Machel's death was described as a blow to the struggle for ending apartheid in South Africa, Reuter reports from Stockholm.

In Lisbon, Portugal's leaders were unanimous in expressing their sorrow over the death, Reuter reports.

OVERSEAS NEWS

Australia 'faces uphill struggle on economy'

By Chris Sherwell in Canberra

SEVERAL YEARS of difficult economic restructuring and adjustment will be needed to stabilise Australia's rising external debt and to moderate its severe balance of payments problems, the country's leading economic advisory body has warned.

The assessment, published yesterday by the Economic Planning Advisory Council, which is part of the Prime Minister's office, is a sober remainder of the long-term nature of Australia's economic difficulties. The country is already suffering a slowdown in growth and employment expansion.

The council said the current account deficit, now just under 6 per cent of gross domestic product, could be halved by the end of the decade, provided certain wide-ranging policies were implemented. Even then the deficit would remain above the levels seen in the 1960s and 1970s.

The minimum requirement for long-term balanced growth, the council said, was stabilisation of the foreign debt as a ratio of GDP. The debt, now standing at A$70bn (£31.18bn) or 30 per cent of GDP, has risen from 6 per cent of GDP in six years.

Stabilisation at the projected future level of 40 per cent could be achieved without sacrificing economic growth, provided there was a swing from deficit to surplus in the balance of trade in goods and services.

This would be achieved through a range of policies: sustained real depreciation of the dollar, continued high interest rates, reduced consumption spending, increased domestic savings, a switch in demand for Australian products and strengthened investment to meet that demand.

Such a restructuring was practicable, the report said, but it acknowledged that the process would take time. Help could come from external factors such as stronger world growth or lower overseas interest rates

The report pointed to progress by the Labor Government. It said fiscal restraint and moderation in the growth of labour costs were already helping to preserve the gains in competitiveness from the depreciation of the dollar.

Shamir pledges formation of a new Zionist economy

BY ANDREW WHITLEY IN JERUSALEM

MR YITZHAK SHAMIR, Israel's incoming Prime Minister, yesterday pledged to form a new Zionist economy, saying: he would promote Jewish settlement in the occupied territories and create other conditions to renew flagging immigration.

Saying that Israel's economy must be based not only on solid economic principles but on Zionist values, Mr Shamir emphasised the supreme value of settlement throughout "Eretz Israel" — the Biblical name for the lands stretching from the Mediterranean to present-day Jordan.

He said a Zionist economy would not only create a higher standard of living but would protect the weaker members of the community by reducing unemployment and narrowing disparities in society.

In his inaugural speech to parliament, Mr Shamir, 71, the Likud leader, foreshadowed a return to the traditional, muscular values of the Jabotinsky school of Zionism from which his party draws its roots and inspiration.

"It is good that those both near and far should know that we do not seek peace out of weakness or infirmity," said Mr Shamir, a one-time terrorist gang leader.

The Knesset (parliament) endorsed the nine-party government, which contains few changes from that headed by Mr Shimon Peres of Labour until last Friday, by 82 votes to 17, with nearly all the opposition coming from the left. There were three abstentions, two of them from Labour.

Mr Peres has taken over the Foreign Ministry vacated by Mr Shamir, while Mrs Shoshana Arbeli-Almoslino enters the Government as Health Minister in place of Mr Mordechai Gur. Back in office is Mr Yitzhak Moda'i, the maverick former Finance Minister, now a minister without portfolio.

Mr Shamir wished the 1.4m Palestinians living under Israeli rule in the West Bank and Gaza "a life of dignity and . . peaceful co-existence with their Jewish neighbours." But the local autonomy he proposed to grant them was conditional, he said, on an "absolute severance from the various terrorist organisations."

The National Unity Government, now beginning the second half of its planned 50-month life, would act unhesitatingly and unflinchingly in accordance with the previously agreed coalition guidelines, he said.

He reminded the doveish Labour Party, the chief coalition partner, that the strictures included opposition to the creation of a Palestinian state in the occupied territories and to negotiations with the Palestine Liberation Organisation.

On the economy, Mr Shamir said a priority would be to reduce inflation, now running at an annual rate of 15 per cent, to "the level that is accepted in well-run countries."

Hong Kong prepares for Queen

BY DAVID DODWELL IN HONG KONG

HONG KONG was yesterday making hasty last-minute repairs to bunting battered at the weekend by Typhoon Ellen as it awaited the arrival of the Queen and Prince Philip on board HMS Britannia for their second visit to the territory in 11 years.

The couple have been in Hong Kong waters for more than a day, moored in privacy in Double Haven off the north east coast of Hong Kong's New Territories, resting after an historic six-day visit to mainland China.

Over a three-day visit to the British territory, the royal couple are following an itinerary that is expected to avoid any controversy.

It is uncertain whether Prince Philip's farewell to one of the territory's four Gurkha battalions will arouse comment. This will be disbanded in January, as the need for troops patrolling Hong Kong's border with China has declined.

The future of the Gurkhas as part of the British Army has been in question since China and Britain agreed to return Hong Kong to Chinese sovereignty in 1997. The Gurkha battalions are based in Hong Kong.

After royal embarrassment over comments made in Xian by Prince Philip about Peking and the Chinese people, the British Government's protocol officer in Hong Kong yesterday called on anyone talking to the royal couple not to pass on details of conversations to any of the 200-odd journalists.

Africa looks to private sector

BY VICTOR MALLET IN NAIROBI

AN INTERNATIONAL conference to discuss the role of the private sector in Africa opens in Nairobi, Kenya, today at a time when many African governments are beginning to look to private business for solutions to the continent's daunting economic problems.

Among the sponsors of the four-day conference, entitled the enabling environment for effective private sector contribution to development in sub-Saharan Africa, are the World Bank, the African Development Bank, the Aga Khan Foundation, the Kenyan Government and the Kenyan Association of Manufacturers.

About 150 delegates representing businesses, governments and private development agencies, will examine how to encourage the often-ignored African private sector and iron out problems such as the lack of clarity and continuity in legal and administrative procedures.

Western economic solutions and private businesses have increasingly found favour in Africa in recent years after the frequent and sometimes spectacular failures of the unwieldy state-owned corporations which came into being after independence from colonial powers in the 1960s.

Weinberger breaks ranks on Star Wars

BY LIONEL BARBER IN WASHINGTON

THE REAGAN Administration's attempt to put across a unified line on arms talks with the Soviet Union broke down yesterday when Mr Caspar Weinberger, the US Defence Secretary, announced he was opposed to any limit on testing of the strategic defence initiative (SDI), the space-based defence system.

Mr Weinberger's public intervention in the arms debate, his first major statement since ending a tour of China and the Far East, conflicted with an optimistic assessment of the possibility of an SDI deal by Mr Larry Speakes, President Reagan's chief spokesman.

Mr Speakes said that the Soviets had told the White House that they would like to reopen talks on SDI testing, the issue on which an arms control agreement foundered at the Revkjavik superpower meeting.

But Mr Weinberger said in a television interview from Frankfurt, West Germany that he had no indication that Moscow was prepared to allow limited testing of SDI outside the laboratory. In any case, he was opposed to any Soviet limit.

The US Defence Secretary said: "I think an attempt to limit what we do is an attempt by the Soviets to maintain the monopoly that they have had as they worked on this (an anti-missile defence) for 17 years."

He said the US should not agree to any testing limits because everything possible should be done to enable deployment of the system.

Over the weekend, Mr George Shultz, Secretary of State, Mr Donald Regan, White House Chief of Staff, and Admiral John Poindexter, National Security Adviser, all suggested that there was the possibility of reaching an arms control agreement with the Soviet Union.

The Soviet position has been unclear in recent days, with conflicting statements by officials on whether proposals for deep cuts in strategic nuclear arms were linked to an agreement on SDI testing which they had insisted should be confined to the laboratory.

Mr Shultz suggested in a weekend interview that the apparent linkage might be broken at arms talks in Geneva. The latest statement by Mr Speakes is a sign that the Soviets may be modifying their position.

Samba songs seduce baffled Brazilian voters

BRAZILIAN ELECTION

BY IVO DAWNAY IN RIO DE JANEIRO

SIXTY-NINE million Brazilian voters, 28 per cent of them illiterate, have now just under one month to make up their minds who will represent them in Congress, in a new constitutional convention, and in 23 state assemblies and governors' palaces.

The elections, the most important since the military coup of 1964, are baffling in their complexity, the mechanics and their implications. Thousands of candidates are competing, representing 39 parties of largely ill-defined ideology.

In Brasilia's federal district alone, electors will be faced with a voting paper offering a choice of 69 nominees for senator. So numerous are the other candidates that voters will have to write in their names or poll numbers, or alternatively just tick a party box.

There is no lack of advice over who to pick. City streets are plastered with posters, pamphlets rain from party car windows, radio channels throb with electoral samba-songs, and every night on television an hour is allocated to the politicians on the basis of past party performance.

These slots vary from impressive to hilarious. The leading candidate for Rio de Janeiro, Mr Moreira Franco, for example, has time to produce a daily campaign "News" programme, complete with advertising breaks for himself.

The "green" candidate—an ex-guerrilla who once kidnapped the US ambassador—recently produced a technologically stunning film of the city in the thrall of a Chernobyl-style nuclear accident.

But for most candidates there is barely time to blurt out their name, party and number before they are ruthlessly cut off for the next breathless hopeful.

To many Brazilians, the elections on November 15, are little more than unseemly theatricals in which the perennially privileged will share out their exclusive political pie.

The costs of the process would seem to bear them out. A successful candidate for federal deputy can expect to spend between $100,000 and $425,000 on his campaign to gain a post with a salary of $3,000, one embittered drop-out claimed. In the key governorship of Sao Paulo, the two principal runners are both multi-millionaires and neither has denied reports that he is spending some $60m, the kind of money that used to win US Presidential races not long ago.

Such profligate spending has been provoked by three factors. First, the elections are seen as an important gauge of the popularity of President Jose Sarney's Government. They will define the significance or otherwise of many new parties and indeed the relative strength of Brazil's democracy, 20 months after the military surrendered power.

Perhaps more importantly, however, those elected will also form the political and ideological raw material for the definition of a new constitution—the country's eighth since independence in 1825.

Lastly, the polls will give the first clear clues as to who could be the most potent candidates for the Presidential succession—the factor that more than any other has inspired the big spenders in the governorship races.

For many observers the security of Brazil's embryonic democracy remains a paramount issue. Mr Helio Jaguaribe, the distinguished political scientist charged with formulating a strategy for social policy until 2000, said last week: "Military rule is not a beast we are vaccinated against forever. We have time—perhaps until the Presidential elections—to get social democracy established. But if economic failures provoke radicalism and disturbances in the relationship between labour and capital, that opens the door to the hard right."

Mr Sarney . . . freedom of manoeuvre

Mr Maluf . . . charismatic right wing populist

The timing of the Presidential elections will be decided by the constituent assembly comprising all those elected to Congress. A commission charged with drawing up a draft has already produced a document, which in other countries might be seen as a cross between an ideological manifesto and a parliamentary programme.

The draft's 468 articles attempt to tackle critical issues for a country freshly emerging from dictatorship such as human rights and access to information, along with proposing such items as firm definitions of the limits on foreign investment and working hours.

This is encouraging news for President Sarney's Government. With the work of the assembly not due to begin until February, it seems clear that he will continue to have remarkable freedom of manoeuvre—even to the extent of being able to continue to use, where necessary, the decree law bequeathed him by his military predecessors.

The signs are also looking positive for the Administration on the electoral front. The Brazilian Democratic Movement Party (PMDB), which dominates the coalition, seems to be holding up well in the polls, despite recent concern about the health of the Government's anti-inflationary programme.

Signs of overheating in the economy and chronic shortages in the shops have been provoked by an apparently unstoppable consumer boom, but only the small Workers Party (PT) and the left wing governor of Rio de Janeiro, Mr Lionel Brizda, have raised it as an issue.

According to Professor David Fleischer, of the University of Brasilia, the PMDB looks set to win a clear majority of the lower house, taking some 244 seats, and should also dominate the Senate.

Progressive social democrats like Mr Jaguaribe fear victories by the largely working class party of Governor Brizola in Rio and by Mr Paulo Maluf, a charismatic populist of the right, who has made substantial headway uniting Sao Paulo's authoritarian middle-classes and the state's dispossessed migrant workers.

"The struggle is between the organic parties and the populist movements," Mr Jaguaribe says. "The fact is that today the majority of sophisticated people are ready to accept the social democratic compromise—higher taxation and a certain containment of lifestyle of the rich.

At present, it looks as if both Mr Brizola and Mr Maluf will lose, but their campaigns are raising expectations that the Government will have to meet once the elections are over. Order and progress, the proud objectives emblazoned on Brazil's national flag, may be no more easily achieved after November 15 than before.

White House angered by expulsions

Shultz: promise of action

THE WHITE HOUSE yesterday expressed outrage at the Soviet expulsion of five American diplomats, Reuter reports from Washington.

Presidential spokesman Mr Larry Speakes said the United States rejected Moscow's contention that the five had engaged in activities "incompatible with their official status," a euphemism for spying.

Mr Speakes said the embassy had protested in Moscow when told of the expulsion order but no written protest yet had been lodged. "Nevertheless, we are upset, outraged and chagrined," he said.

The Secretary of State, Mr George Shultz, said Washington would take some action but he refused to discuss what options were under consideration.

Moscow's expulsion same after the United States ordered 25 Soviet employees of the United Nations to leave.

The United States would continue with its instructions to the Soviet Union to cut its contingent at the UN.

The expulsions were not expected to be a major setback in US-Soviet relations.

Nicaragua puts captured US airman on trial

BY PETER FORD IN MANAGUA

THE AMERICAN airman captured by the Nicaraguan army earlier this month went on trial before a revolutionary tribunal yesterday accused of violating national security by delivering arms to the US-backed Contra rebels.

Mr Eugene Hasenfus was charged under Nicaragua's law for the maintenance of order and public security. He has undergone two weeks of interrogation since he was shot down on October 5, and faces up to 30 years in jail.

His trial is expected to be fairly brief. The popular Anti-Somocista Tribunals (TPAs), created to try national security cases, are designed to dispense speedy justice, outside the normal judicial system.

This approach has drawn criticism from international human rights groups, who have argued that the accused do not have time to prepare an adequate defence. A US embassy official said Washington would be satisfied if Mr Hasenfus received a fair trial. "He will not receive a fair trial on the TPA," the official said.

Reuter adds from New York: Mr Hasenfus said in a television interview at the weekend that Mr George Bush, the US Vice-President, knew about covert US-backed missions to supply rebel forces and that he believed the Central Intelligence Agency was responsible for the operation in which he was captured.

He denied any political motivation and said he was in Central America only "for a job" which paid about $3,000 (£2,100) a month. About 14 Americans were involved in secret supply operations flying out of El Salvador, he said.

The Nicaraguan President, Mr Daniel Ortega, said on television he thought it was possible that Mr Hasenfus was a victim rather than a criminal.

Asked if it was possible that Mr Hasenfus might return to his family in Wisconsin by Christmas, Mr Ortega said that the Sandinistas had shown mercy in the past. But he made no specific pledge of leniency.

Heavy demand likely as US eagle coin takes off

BY DAVID OWEN IN CHICAGO

THE EAGERLY awaited US eagle, the first gold coin minted by the US Government specifically for the purpose of investment, was launched yesterday with the first orders being taken from 25 direct distributors worldwide.

Initial demand for the coin, which will be 91.67 per cent gold and available in one tenth, one quarter, one half and one troy ounce, is expected to be extremely heavy, with gold dealers reporting considerable pent-up interest both in the United States and elsewhere.

The launch comes at a time when gold prices are riding high at $425 per troy ounce after an extended lacklustre period.

The eagle is one of a number of new bullion coins planned by various governments to take advantage of the widespread ban on the Krugerrand, the South African former market leader.

The Krugerrand's dominant position has now been usurped by the Canadian maple leaf, a 99.99 per cent gold coin available since 1979. In 1985, the maple leaf commanded an estimated 65 per cent of the market with sales of 1.5m troy ounces.

Other countries planning to launch bullion coins soon include Australia, Luxembourg, New Zealand and Brazil. In addition, Japan has minted 10m numismatic coins to honour Emperor Hirohito's 60th anniversary as Emperor, to be sold mainly in Japan from next month.

The Hirohito issue will be a collector's item rather than an industrial vehicle, since the coin's 100,000 yen face value far exceeds that of the 20 grams of gold it contains.

The eagle, like the maple leaf, to which it poses a severe threat, particularly in the US, will be sold to wholesalers at a 3 per cent premium to the value of its gold content. This would typically translate into a retail premium of 5 to 8 per cent.

Many observers expect heavy demand for the eagle to create a shortage of coins at the outset and drive up premiums.

At first there will be 500,000 one ounce coins and 300,000 of the other weights available. The US mint says it believes it has sufficient supply.

WORLD TRADE NEWS

US overtakes UK in collaborations with India's industry

BY JOHN ELLIOTT IN NEW DELHI

THE US has replaced the UK as one of India's major sources of industrial collaboration for technical co-operation and equity investment and now accounts for one-third of the total of foreign investment in Indian business.

This estimate was announced yesterday by Mr J. Gunther Dean, US Ambassador in New Delhi, when he launched a study of US involvement in Indian industry. It shows that about 75 per cent of more than 850 US collaborations have been established since 1980.

Mr Dean praised changes in India's investment climate during the past five years, and especially since Mr Rajiv Gandhi became Prime Minister nearly two years ago.

"People from western countries have found it easier to work out joint ventures in the past two years than before, so people have been able to consummate what they had been talking about before."

His remarks come a week after the US went out of its way to stress that it wants to develop a new relationship when Mr Caspar Weinberger, US Defence Secretary, visited New Delhi.

Following Mr Weinberger's visit, joint production of defence equipment is to be explored and a US team will visit New Delhi next month to see whether India will provide sufficient safeguards for the US government to allow it to buy a super computer from Control Data or Cray.

Mr Gandhi said in Delhi yesterday that India did not allow foreign technology it received to leak out of the country. He also said that India was "looking forward to a much warmer relationship with the US." Mr Weinberger's visit had been a step in that direction.

More than half the 850 US collaborations involve high technology and one third involve long-term equity investment, according to the study called *Indo-US co-operation in Business and Industry 1986*.

Although US collaborations have overtaken the UK's, Indian Government figures show the US itself was overtaken in the first half of this year when West Germany finalised 70 new link-ups compared with 67 from the US, 42 from the UK, and 41 from Japan.

The US continued to lead in financial collaborations which shows that despite outspoken reservations about India's equity investment laws, US companies are providing more equity stakes than other countries.

The US study is also important because it tries to assess the number of current collaborations, which are more significant than the total numbers agreed since 1957, published regularly by the Indian Government.

The UK tops the post-1957 list with 2,082 collaborations but its High Commission in New Delhi has no statistics on how many are still operating.

The US current figure of over 850 compares with 1,895 agreed from 1957 to 1985, indicating that about half either do not go ahead or expire.

West German figures show that its companies have 802 operational collaborations out of 1,726 agreed between 1957 and 1986.

Cyprus barter move

BY SIMON HENDERSON, RECENTLY IN NICOSIA

CYPRUS HAS asked the Commonwealth Secretariat in London to help organise advice on countertrade policy.

The Secretariat, through the Commonwealth Fund for Technical Co-operation, has sought competitive bids from among British banks to send an advisory team to Cyprus. The winning bank is expected to be elected shortly.

The advice it gives could be crucial in deciding who wins contracts for a 60 Mw turbine generator and a boiler for the extension of the Dhekelia "B" power station in the south-east of the island.

Companies tendering for the contracts were told that proposals allow for payment in a mixture of cash and acceptance of Cypriot products. Cyprus is anxious to sell more of its wine, brandy, cement and asbestos, none of which have established exports markets.

Financial revival for Euro-motor industry

BY KENNETH GOODING, MOTOR INDUSTRY CORRESPONDENT

A MAJOR revival of the European motor industry's financial fortunes is under way which will propel it to an aggregate net profit of $2bn in 1986. Even so, the manufacturers between them will be looking for an annual $2.5bn of new cash for the next three years from shareholders or financial markets.

"Improved profitability should not be interpreted as reducing the pressure to form further alliances and collaborative agreements in the industry," according to Mr John Lawson, director of automotive research and managing director of the DRI Europe forecasting group.

At a dinner organised by the Herondrive vehicle fleet management company last night, Mr Lawson pointed out the financial turnaround will produce a change in the ranking in the industry.

The specialist or prestige manufacturers (BMW, Daimler-Benz, Jaguar, Porsche, Saab and Volvo) which have a heavy dependence on the US, are beginning to run out of forward exchange cover this year.

"The collapse of the dollar will have a major impact on their financial results in 1987 and for the moment their net profitability appears to have peaked.

"The major volume manufacturers (Fiat, Ford of Europe, General Motors of Europe, Peugeot-Citroën, Renault and Volkswagen) in contrast are witnessing an impressive resurgence of financial results; after a string of aggregate losses totalling $2.5bn in the past six years, in 1986 they will earn $1bn net on turnover of around $100bn."

Recovery has been encouraged by the industry's efforts to reduce costs—breakeven points have been reduced right across the volume car sector

The financial recovery has been encouraged by the industry's efforts to reduce costs — breakeven points have been reduced right across the volume car sector.

The industry has shed 10 per cent of its direct labour in the past five years and invested very heavily in flexible automation. Every new model from a major manufacturer marked some further advance.

There has also been a subtle change in the perception of the industry's future, said Mr Lawson. This has created a brighter climate and helped companies tap financial markets for further permanent capital, thus reducing indebtedness.

Another important element in the recovery is that nationalised car companies are "being given a further stage of treatment as commercial companies under new management teams," said Mr Lawson.

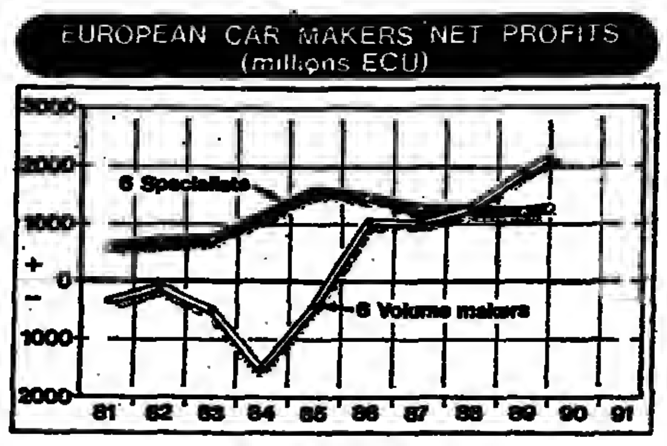
External — and temporary — factors contributing to the recovery included the oil price fall which has fuelled a consumer boom in Western Europe with record sales of 11.3m cars expected this year. Input costs have fallen and declining interest rates on the industry's $40bn of debt is a major boon.

Mr Lawson said higher prices are forcing the consumer to foot a large share of the burden previously borne by shareholders as manufacturers have been able to use the opportunity of high demand to rebuild profit margins in several European countries.

However, in spite of the upturn in net profit, the volume manufacturers are likely to run a large deficit on operating cash flow for some years even though some of them have trimmed capital expenditure programmes.

While the current imbalance of expenditure needs and resources persists, even the strong volume producers have little room to manoeuvre, Mr Lawson pointed out.

"We at DRI still expect to see new partnerships formed between European and Japanese companies. There will also be further partnerships with other Western manufacturers."



EEC-Asean to set up investment committee

By John Murray Brown in Jakarta

A JOINT investment committee is likely to be set up as a result of the EEC-Asean (Association of South-East Asian Nations) foreign Ministers meeting, officials said yesterday after the first round of talks in Jakarta.

There seems, however, to have been little progress on the more problematic issues of trade barriers and the establishment of an Asean common market.

The six-member Asean group, made up of Indonesia, Malaya, Thailand, the Philippines, Singapore and Brunei, are keen to increase the volume of trade with individual members of the communities.

Asean has been particularly hard hit by the recent price collapse of oil and commodities, which are the mainstay of their economies.

European officials, however, are at pains to point out that with Spain and Portugal recently joining the Community, an increase in trade with Asean is unlikely.

Asean members are also pressing that the European Investment Bank be used to provide risk capital for any prospective European investor.

A major obstacle to investment remains the high tariff barriers imposed by most Asean countries. This is also an impediment to trade between individual members of Asean.

On the setting up of an Asean common market, no common policy appears to have emerged.

With so much difference between free-market orientated Singapore and the heavily centralised and state-run economies like Indonesia, European officials are privately ruling out any short-term possibility of a consensus on an Asean common market.

Petrofina signs Moscow deal

PETROFINA, Belgium's largest industrial company, said it has signed a scientific and technical co-operation agreement with the Soviet Union, Reuter reports from Brussels.

It said the co-operation would initially cover the chemical, petrochemical, biotechnology and industrial energy saving sectors, but could be extended to other areas later.

France signs deal to supply Saudi navy

By Finn Barre in Riyadh

FRANCE HAS signed an agreement to provide supplies and technical help to the Saudi Arabian navy.

The contract, for an undisclosed amount and duration, covers the four Exocet-carrying frigates France has sold to the Saudis. The last of these vessels was delivered this summer.

Mr André Giraud, the French Defence Minister, and Saudi Minister of Defence, Pr Sultan bin Abdulaziz, also agreed the French AMX-40 should be shipped to the kingdom for field tests. Saudi Arabia currently uses French AMX-30s and American M-60s.

France also offered the Mistral shoulder-fired anti-aircraft missile, which could fill the gap left when the US Congress stopped the sale of US Stinger missiles to the Saudis.

Mr Giraud also discussed sales of Mirage 2000, Mirage 4000 and Rafael advanced fighter aircraft.

The most recent French arms coup was the $4bn Shahine-Crotale Missile deal.

Tokyo agrees to talks on skis row

BY CARLA RAPOPORT IN TOKYO

EUROPEAN SKI manufacturers have agreed to start talks with Japanese consumer safety officials in Tokyo on the row over ski equipment standards.

Neither side, however, is optimistic about an early settlement to the dispute. The Europeans are upset over new Japanese safety standards for skis, which among other things, take into account the condition of Japanese snow and the crowded Japanese slopes.

Japan's Consumer Product Safety Association (CPSA), which devised the new standard, has now formed a committee with European ski equipment companies which is aimed at revising the ski safety standard, called the SG mark.

The association says that it has put SG marks on 72 items to date and has done so for safety reasons, not to create trade barriers as the Europeans have claimed.

"We want to replace the SG mark, with something that conforms to the International Standards Organisation," said Mr Wolfgang Meyerhofer, Austrian Trade Commissioner in Tokyo yesterday.

If the Japanese want different standards, they should go through the ISO, Mr Meyerhofer said.

Unlike most other industries, European manufacturers account for about 40 per cent of Japan's ski market, 50 per cent of ski boots, and almost all of its ski binding sales.

Mr Mimura, managing director of the CPSA, counters that the SG mark has never been used for sales promotion, but is merely aimed at insuring product liability.

"I think this ski issue to Austria is like the tea ceremony in Japan," says Mr Mimura. "It's a psychological problem, not a trade barrier."

Japanese loos take off with US order

BY OUR TOKYO CORRESPONDENT

FIRST came cars, then came electronics; now comes the Japanese toilet.

While the rest of Japan's exporters are moaning about the effects of the high yen, a small Tokyo-based company has scored an export contract which should put its bigger brethren to shame.

The Japan Aircraft Maintenance Corp (Jamco) has built a toilet that Boeing of the US wants to put in all its new 747 jumbo jets.

The Boeing contract, to fit 15 lavatories in each of 200 to 300 jumbo jets over the next few years, is estimated to be worth about $125m (£86.8m). Jamco's total sales this year are expected to be about $100m.

The small company, in which Japan Air Lines has a 20.8 per cent stake, is now considering expanding its factory and taking on employees, while most of Japan's exporters are considering how to lay off staff and cut back capacity.

It is understood that Boeing, which has about 40 per cent of the airborne jet toilet market, particularly liked the low weight and Jamco's streamlined design.

Malta seeks redress on Italian trade

By Godfrey Grima in Valetta

DR CARMELO MIFSUD BONNICI, Malta's Prime Minister, has renewed his call for Italy to redress a £M 40m ($91m) trade imbalance with Malta.

Dr Mifsud Bonnici disclosed that shipments to Italy last year stood at £M 17.5m while imports from that country rocketed to £M 57m.

The Prime Minister told supporters that the island could not afford to maintain this level of trading with countries which made only a slight effort to increase purchases of goods made in Malta.

The Prime Minister's reference to the trade difficulties with Italy indicates that the two countries may be less close to signing a long-awaited bilateral accord covering military, political and economic ties than was being suggested by government sources in Malta last week.

Dr Mifsud Bonnici favours the signing of the agreement to balance a similar accord signed with Libya by Mr Dom Mintoff, the former Prime Minister, shortly before he left office at the end of 1984.

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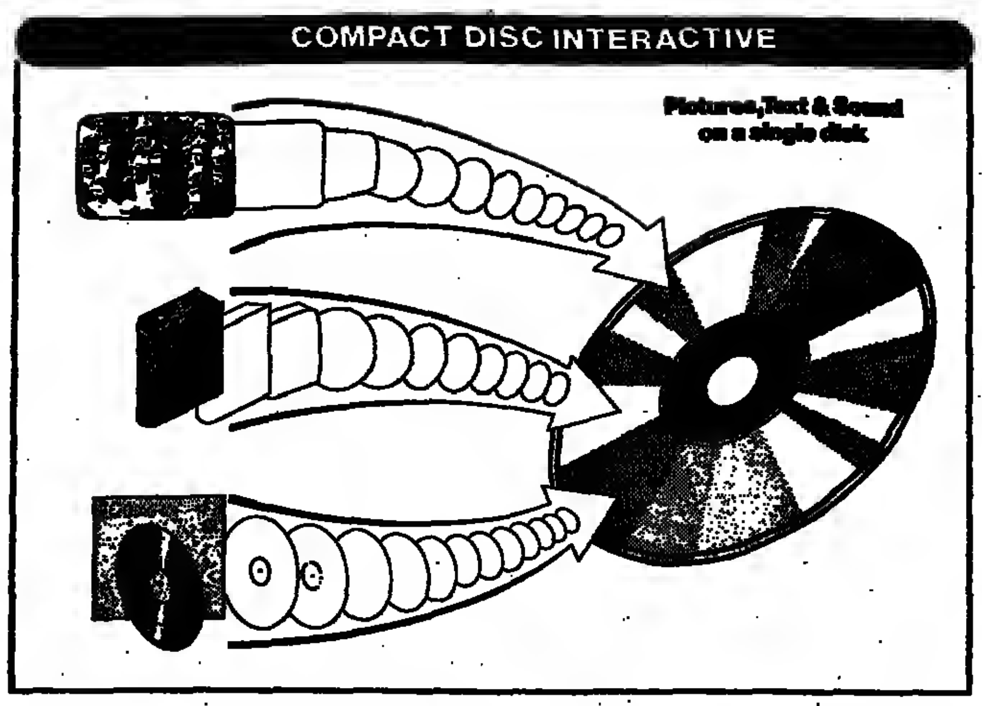
TECHNOLOGY



Interaction on frontiers of electronic publishing

Geoffrey Charlish examines prospects for the next leap forward in optical recording

MAJOR PLAYERS in the electronics industry, such as Philips, Sony and Hitachi, are racing towards the introduction of an exciting new technology which will capture video, data and audio on a single compact disc. Called CD-I (compact disc interactive) it will allow interaction between sound, text and pictures, and is set to have a significant impact on the electronic publishing industry.

Equipped with screen, keyboard and hi-fi system, for example, you could slot in a 4.7-inch optical disc, able to hold enough information to form a stack of printed paper 30 feet tall and weighing 350 lbs. Then, by keying in the name of a composer, you could listen to his music while watching relevant still or moving pictures or reading the score of a chosen composition. Alternatively, given the appropriate disc, one might just as easily enter the name of an industrial area, and obtain data, pictures and commentary about the location, its people, building sites, the companies already there and so on.

Mr Byron M. Turner, president of European Interactive Media of the UK, believes CD-I will change the nature of books, publishing and libraries. Speaking at a recent conference on electronic publishing, staged by On-Line International in London, he described the new technology as "the electronic printing press of the future."

CD-I is the next stage beyond digitally recorded sound on compact disc in the home and CD-ROM, the read-only digital memory system for storage of computer data. It is a result of the fact that today, all information is easily digitised into tiny laser engraved marks on the surface of a disc, whether it is speech, music, text, line graphics, still pictures or video.

Philips, Sony and Hitachi will be important system suppliers and many software companies will emerge to meet the needs of information vendors. Hitachi, with software company Silver Platter, has been quick off the mark with a CD-ROM disc the UK Post Office will sell. This holds all UK postal addresses for quick and easy access.

Turner thinks that catalogues, for both industry and consumer markets, will also undergo great changes due to CD-I. The disc catalogue will be cheaply mailed, take up little space, and will obviate printing. Product choice is immediate—no paper pages have to be turned. He says: "If you want to see a selection of men's dress shirts, that is what will be shown." He also foresees customised selection: if a birthday present is to be bought for example, the user keys in such items as sex, age, hobbies and spending level, whereupon the system, using its microprocessor "brain," shows only the products that meet the criteria.

These systems will probably become mobile. For example, before touring a country by road, a suitable disc will be bought that will cross reference map, guide book, hotel and similar data. Whatever the location, the nearest suitable hotel, garage, or restaurant could immediately be brought up on the screen. A complete road map of the US can easily be stored on one disc.

For CD-I to succeed, however, necessary terminals will have to be reasonably low cost, common objects around office and home. That means volume production which in turn means standards. High Sierra, the industry's standards group which includes Philips, Sony and Microsoft, the US developer of computer operating system MS-DOS, is already firming up industry standards for CD-ROM, which is mainly concerned with text and data (although graphics are possible). However, these standards will need to be extended into the multimedia world of CD-I. Philips and Sony have already made firm proposals. Outlined at the On-Line conference by Simon Turner of Philips Redhill laboratory in the UK, they define what can be present on a disc and how it is coded.

Among the problems is the fact that CD-I contains information like video and audio, as well as text and still pictures. For example, they all need different error correction levels, the means by which the accuracy of digital signals is assured. But the aim has been to make certain that a CD-I system can play both CD audio discs and CD-ROM data discs, widening the market.

Mr Nick Rogers, marketing manager for Hitachi's new media products in the UK, has some reservations about the emergence of CD-I standards proposals from Philips so soon after industry agreement on CD-ROM. He thinks the world has yet to digest CD-ROM, let alone countenance what he thinks is basically a new consumer product from Philips. Many people however, think early standardisation, albeit commercially "imposed," by Philips and Sony, is a good thing and cite the audio cassette, which followed a similar path, as a shining example.

In any event, there is likely to be some market conflict between CD-ROM, which operates through existing personal computers and screens, and CD-I which is an integrated, comprehensive, stand-alone product which may or may not be limited to home use.

The technology is unlikely to be confined to encyclopedic applications. Professional text books for example, are expensive to typeset, transport and store. Companies like Pergamon in the UK are known to be looking at optical media as a means of distributing such products.

With CD-I, the "book" could become a complete textual, audio and visual presentation, programmed to maximise learning or simply to make the subject that much more interesting to the "reader."

Nevertheless, both CD-I and CD-ROM face competition from other electronic information systems. The idea of portable, optical storage is not entirely new. The US company Drexler was set up nearly five years to promote a system that puts data on a credit card-sized piece of plastic. The technology has been licensed to many of the world's big electronics and information companies, including Pergamon, Canon, Ericsson, Fujitsu, Honeywell, Matsushita, NCR, Sharp and Wang. There have been some difficulties however, in developing suitable low-cost readers.

Even so, Blue Cross, the US insurance and health services group, is putting individuals' medical records on the cards, which plug into screen/keyboard viewers in ambulances and hospitals.

At the same time Microfilm, and electronic hybrids of it will persist, as will on-line data services from big, central computers. Given wide-band (high data capacity) telephone lines to homes and offices, in the forthcoming world of ISDN (integrated services digital networks), information of the CD-I variety will be just as easily sent over telephone lines. Relative costs will decide matters, but little is known yet.

At the other end of the electronic publishing chain is the compilation of the information in the first place. Before long no doubt, authors will write into electronic stores for direct transference to the "book discs." Similar things are happening in newspapers and magazines, although the final output is still paper in most cases.

Enhanced forms of word processing that allow text to be seen on the screen as it will be printed, in various founts, and for illustrations to be suitably placed, are coming on to the market. Apple, Xerox and IBM are three important contenders in this field. For conventional in-house publishing, the material is then sent straight into a phototypesetter or, increasingly, to a laser printer.

Such electronic publishing is increasingly used in companies like Boeing, General Motors, British Aerospace, Vickers and the world's car companies, where technical service manuals have to be reproduced and updated. At this end of the business, however, software designers are still grappling with the problems of mixing text and graphics on monochrome screen desk-top terminals economically.

Doubts over Europe's ability to meet date for digital radio

EEC PLANS to have pan-European digital cellular radio in action by 1990 may be too ambitious according to UK electronics group Plessey, which has just completed a study for the UK Department of Trade and Industry (DTI).

Britain, doubtful about the prospects of quickly-agreed European standards and anxious to get services and business activity going, two years ago opted for a US-based analogue system (the Cellnet and Vodafone services).

But continental Europe has high hopes for a more advanced across-borders system and the European Commission has agreed with the PTTs (national telecoms authorities) that a pan-European digital system should be in service by 1990.

Since then, a number of companies and consortia have proposed digital systems and five small trials are in progress in France, West Germany and Sweden. These involve some of Europe's major electronics companies with interests in mobile radio. They include Alcatel, AEG, Bosch, Ericsson, Italtel, LCT, Matra, Mobira, SEL and Philips/Tekade.

There are good reasons for "going digital." The most important has little to do with the technology. It is that if Europe can be first with a digital system the big sales generated in the EEC should launch it into world equipment markets ahead of the Japanese and Americans.

Britain is unlikely to remain outside any new system because it is becoming evident, according to the study, that the present UK cellular services will suffer from channel congestion by 1992, in spite of technical palliatives such as cell division and aerial sectoring. Clearly, any new UK capacity ought to conform to the new European standard—if any can be agreed.

The UK will have to run analogue and digital cellular services side by side for some time, but the new system will be compatible with the old one over the fixed phone network. Initially, only users urgently needing pan-European services (long distance road haulage is a good example) are likely to instal digital equipment.

The Plessey/DTI study finds that, technically, there is little to choose between the various digital systems proposed. But Professor William Gosling, Plessey's technical director, speaking at a recent Stockholm conference on mobile radio, said the study had found that "many of the existing proposals are too complex to be put into service by 1990," although simpler versions might be achievable in the time available, to be improved later.

Technically, an advantage of going digital is that such systems will interface naturally with the forthcoming fixed digital phones (ISDN, or integrated services digital network) that will carry text, data, speech, pictures and video.

Furthermore, digital transmission is not subject to noise (audible hiss). Also, with the time division approach (explained below) it is claimed that the effects of multi-path fading can be reduced; when

'Existing proposals are too complex to be put into service by 1990'

signals arrive directly and also after reflection from some nearby object, they can partially cancel each other out, corrupting the signal. This is particularly important when digital data rather than speech is being sent, since wrongly transmitted numbers or characters will result.

In "wideband" TDMA (time division multiple access), favoured by SEL and AEG of Germany, the customary 25 KHz radio channels of analogue working vanish. Instead, a 5 MHz block of bandwidth is applied to the whole cell, using wideband receivers and transmitters. In place of a frequency channel, each user gets a time "slot" to which his receiver "tunes." Very short pieces of conversation arrive in consecutive slots at regular, relatively long intervals, but short enough to leave the speech unimpaired at the receiver end.

In narrow band TDMA the alternative system proposed by Bosch of Germany, Matra of France, and Ericsson of Sweden, the block is only 1 MHz wide. It embraces fewer users, is simpler to implement but can be more prone to data corruption.

The main issue between the rival digital systems is one of cost and data quality rather than system capacity (for which gains are not expected to be dramatic). TDMA is cheaper than analogue because wideband tuning is less complex (there is no need for the mobile equipment to be able to tune to many different frequencies).

But according to the Plessey study, these matters pall into insignificance compared with the likely problems of getting the European countries to agree to a single digital standard via the CEPT (Committee Europeene de Postes et de Telecommunications—the representative body of the PTTs).

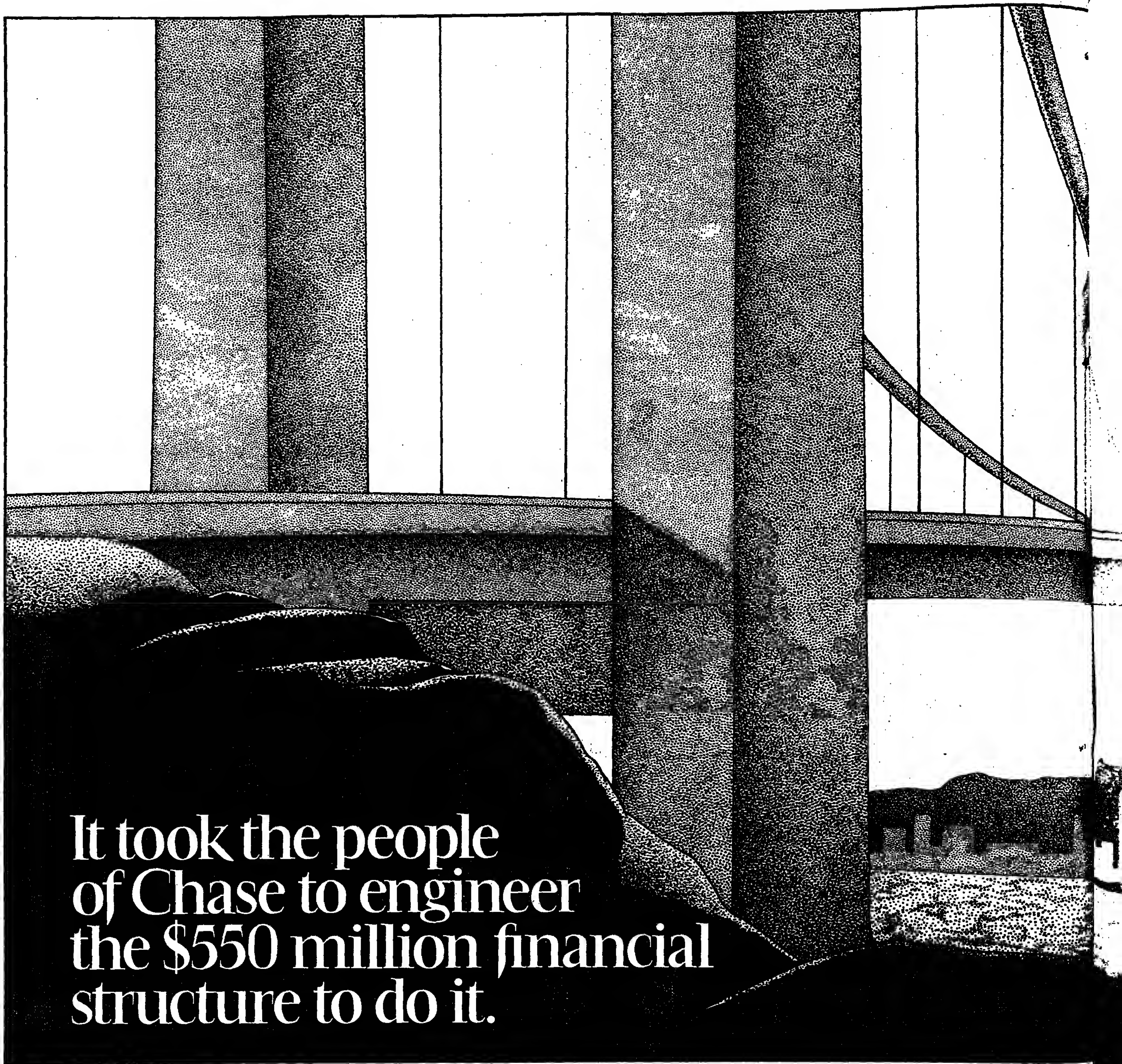
Professor Gosling sees four difficulties, none of them technical. First, there are some 20 companies that want to exploit the estimated $10bn world market for cellular over the next 10 years. But analysis shows there may only be room for three or four equipment sources, probably in consortia form.

Second, Europe has a history of not agreeing about such things; there are different TV standards, mains sockets—even the telephone dialling tones are different.

Third, Europe's aspiration of matching its cellular radio manufacturing power to that of Japan and the US is likely to suffer at the hands of consumer interests. Gosling says: "European electronics-based industries which have been seriously weakened by this ill-judged pragmatism include computers, semiconductors, office equipment and consumer electronics."

Finally, the Plessey director believes the PTTs are not structured to encourage cross-border interchange of products and that the CEPT needs better arrangements for consulting with manufacturers and user groups.

Geoffrey Charlish



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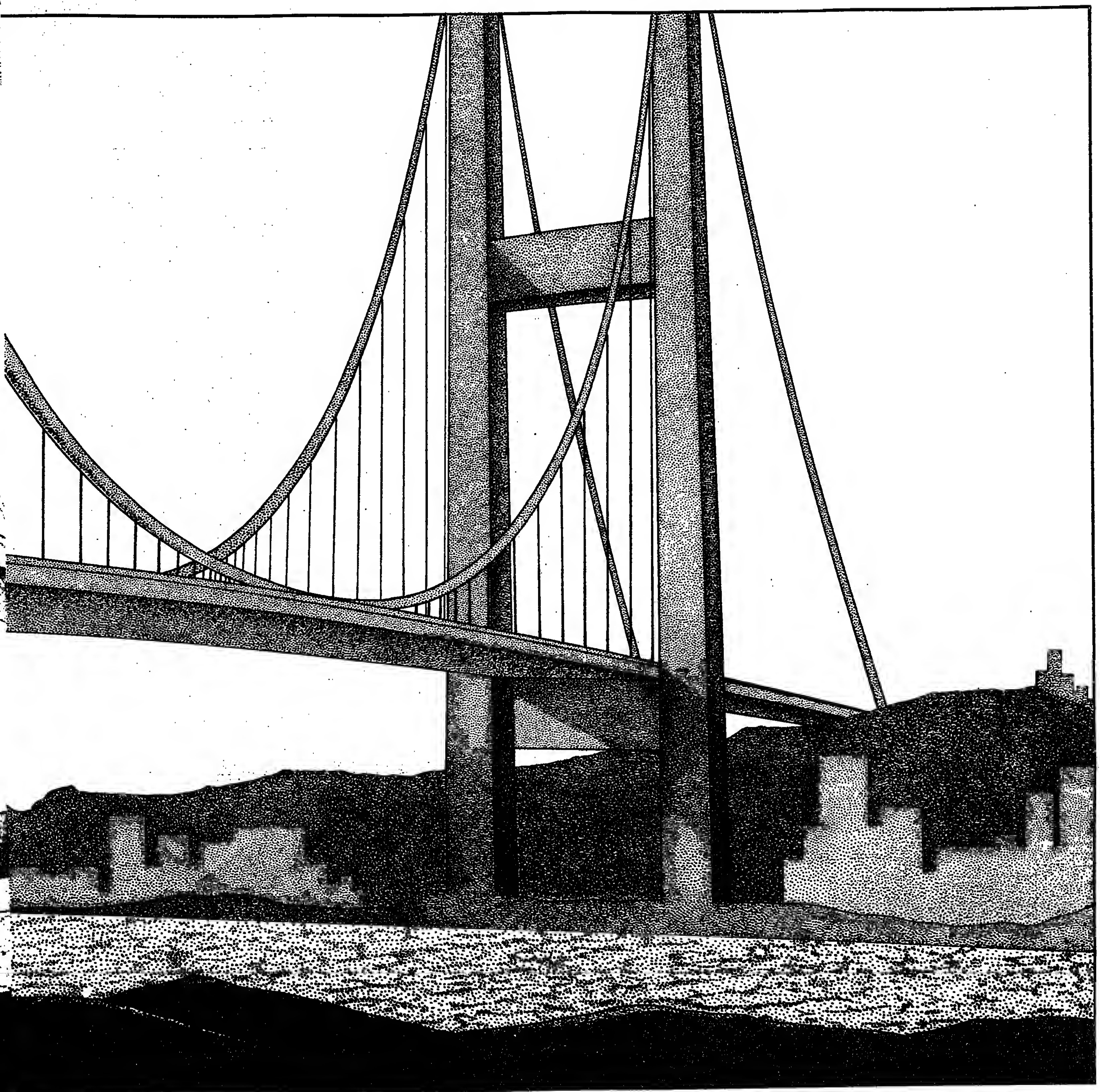

ɔn-bank sources, but also the best ways to ne the financing.

Most important, there's our people. ·ople with expertise in all fields. From ndication experts to trade finance specialists export credits and aid loans. To our ɪdisputed leadership in project finance. l of which were vital to this endeavour.

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UK NEWS

Schools face more disruption over pay

SCHOOLS in England and Wales face renewed disruption over teachers' pay after the National Association of Schoolmasters/Union of Women Teachers yesterday instructed its 125,000 members to hold a half-day strike in the week beginning Monday November 3, David Brindle writes.

The union has called the action to try to win fundamental improvements in the outline agreement, reached in negotiations in Coventry in July, on a new employment contract and salary structure for all teachers.

The half-day strikes are due to take place in the school week before further negotiations take place.

Mr John Pearman, the local authority employers' chief negotiator, said yesterday: "I think it is quite the most selfish and spiteful act that I have seen any trade union perpetrate in my experience in local government."

The union, which refused to sign the Coventry agreement, wants in particular an increase to £16,000 in the £14,500 figure specified in the agreement for the maximum achievable basic salary for a classroom teacher, excluding head teachers and their deputies.

□ A GERMAN national and an American have been appointed to the City Capital Markets Committee, in a move which reflects the growing internationalisation of the City of London. They are Mr Ernst Brutsche, who is joint chief executive of the investment banking sector of the Midland Bank Group, and Mr Charles McVeigh, the managing director of Salomon Brothers International in London.

The City Capital Markets Committee is a think tank, composed of leading City of London practitioners, which gives private advice to City and Government bodies and which publishes occasional papers on capital market topics. It receives secretarial and other support from the Bank of England, but its views are independent.

□ AN OUT-OF-COURT settlement of a libel action taken by two Conservative MPs against the BBC is expected to be announced today. However suggestions that senior management were opposed to the decision of the board of governors to seek such a settlement are now being discounted. It is understood that the decision to seek a settlement was originally taken by the board of management and then endorsed by the governors. The action followed a Panorama programme which purported to show that both MPs were linked to extremist right wingers.

□ SEAMEN from three Sealink UK ferries berthed at Weymouth, Dorset, in south-west England, voted to continue their occupation of the vessels because they are not satisfied with the agreement with the company thrashed out by national negotiators of the National Union of Seamen. The men are concerned that last week's agreement, which ended the two-week dispute that disrupted Sealink UK's sailings to the Continent and Ireland, does not provide 40 seasonal employees with redundancy pay.

□ KODAK UK, part of Eastman Kodak the photographic products and electronics group, has announced a £70m investment at its existing factory in Cumbria, north-west England. The Workington plant, which now makes the materials which go into cigarette filters, will also produce polyethylene terephthalene or PET.

□ CHEAP package holidays to Greece were offered by Intasun as part of the holiday price war being fought among the major tour operators. Intasun, part of the International Leisure Group, is offering some 500 one-week holidays to Greece for £29

□ MORE THAN 16m people – nearly a third of the population of Britain – were living in poverty or on its margins in 1983, a rise of 42 per cent since 1979, according to a report published jointly by the Child Poverty Action Group and the Low Pay Unit.

AE challenges clearance for new Turner bid

BY CHARLES BATCHELOR

AE, THE motor components group which last month defeated a £257m takeover bid from Turner & Newall (T&N), the mining and engineering company, is to appeal against a Takeover Panel ruling that T&N may bid again.

AE and its financial advisers were yesterday engaged in preparing their appeal after being given permission by the full panel to take their case to its appeal committee.

This committee, which is headed by Sir Henry Fisher, a retired judge, and has three other members, is expected to hear arguments later this week.

It is unusual for cases to go to the appeal committee. Decisions by the panel executive which are appealed by one of the parties are usually handled by the "full panel," itself an appeal body.

AE is appealing only against the decision to allow T&N to bid again. The company, with its merchant bank, Hill Samuel, and its broker Cazenove, has accepted the panel decision that purchases of 7.2m AE shares which were covered by indemnities from Hill Samuel should have been disclosed.

Hill Samuel may, however, challenge the wording of the Panel's formal announcement – expected later this week – if it disagrees with any points of detail. The bank has been censured by the panel while Cazenove has been criticised, a less severe rebuke.

T&N just failed to win control of AE last month when it secured the backing of the owners of 49 per cent of its shares. It has argued that the share purchases masterminded by Hill Samuel were enough to tip the balance against it. It still retains a 30 per cent stake in AE and is keen to bid again.

The dispute between AE and T&N has highlighted an issue which has become increasingly contentious in recent bids – the rules by which advisers to bid contenders may buy or sell shares in their clients.

The shares of AE and T&N are suspended from trading at 219p and 177p respectively.

Lex, Page 20

PWS group launches offer for C.E. Heath

BY NIKKI TAIT

PWS Holdings, a medium-sized UK insurance broking group, yesterday launched a £184m all-paper offer for C. E. Heath – a much larger insurance company with interests ranging from broking to underwriting.

Under the offer, PWS is offering four of its own new ordinary shares plus three new convertible preferred shares for every four Heath shares held. With PWS shares down 20p to 315p on the news, and the convertible share price estimated at 343p, the bid values each Heath share at 572p. Yesterday, Heath rose 79p to 559p. There is no cash alternative.

The offer is being strongly opposed by the Heath directors, who yesterday described it as 'unsolicited, opportunistic and inadequate.' The board said they will be writing to shareholders in due course, but advised them to take no action in the meantime.

Shortly after the bid was announced, a subsidiary of PWS bought a small number of Heath shares – 50,000 – in the market at 557p.

PWS is the result of a merger last April between two Lloyds brokers, PWS International and Howard Group. The company is capitalised at £63m, compared with the £180m stockmarket price-tag on C.E. Heath. Its business is conducted through six specialist broking companies, with clients in 130 countries, and it employs over 300 people. Its specific skills are in the UK casualty and property business and in facultative and treaty reinsurance.

PWS engaged in informal talks with C.E. Heath last month when the larger company considered bidding for the smaller. Earlier this month however, Heath announced merger talks with Fielding Insurance, an 81-per-cent-owned subsidiary of Hambro, the merchant banking group.

Daimler-Benz profits show major recovery

BY KENNETH GOODING, MOTOR INDUSTRY CORRESPONDENT

DAIMLER-BENZ'S UK subsidiary saw a major recovery in taxable profit last year. It rose by 156 per cent to £10.43m and, following a one-year gap when no dividend was paid, the West German parent group received a £3m dividend for 1985.

There was a 144 per cent increase in net profit to £6.58m in spite of a big jump in the tax paid by Mercedes-Benz (United Kingdom), from £1m to £6.3m.

Net profit was still well below the £9.1m for 1981. In subsequent years it fell under the twin pressures of the strength of the pound against the D-Mark and severe price competition in the UK commercial vehicle market.

In 1983 MBUK paid a £1.5m dividend, down from £2.1m the previous year.

The 1985 net profit was lifted by extraordinary income, after tax, of £432,654 compared with an extraordinary charge, after tax allowance, of £365,000 in 1984.

The extraordinary income last year represented the amount left over from sums set aside to meet the cost of moving the company from several sites in north London to its new corporate headquarters at Milton Keynes.

MBUK transferred its commercial vehicle dealer stocking plan, previously operated in-house, to the Lloyds Bowmaker finance house last year and this gave both commercial vehicle unit sales and turnover a one-off boost.

The accounts, just filed, suggest about four points of the 32 per cent increase in turnover, to £427.2m, was attributed to the stocking plan change.

MBUK's cash "mountain" was reduced from £17.63m in 1984 to £10.33m last year, partly because the company was still involved in a heavy capital expenditure programme.

It is building a commercial vehicle preparation and modification centre at Barnsley in the north of England for about £9.1m, to be completed early next year.

Mr Hans Tauscher, the MBUK managing director whose earnings rose from £70,825 to £78,765 last year, says that once Barnsley and a new training centre at Milton Keynes, north of London, are completed, no more heavy expenditure on facilities will be required for many years.

MBUK increased the number of employees from 1,038 1,070 last year.

Production resumes on Jaguar assembly

By Charles Leadbeater

SALOON car production at Jaguar restarted yesterday after 800 shopfloor workers voted to return to work to allow union officials to open talks with management over its plans to carry out a time and motion study to draw up work patterns for assembly of the new XJ6.

Both sides have been anxious to resolve the dispute which halted production of the new saloon only a week after its launch. The talks, which are scheduled to conclude by this evening, will have to overcome considerable shopfloor opposition to the time-and-motion study. Twice last week manual workers rejected shop stewards' recommendations

Meanwhile, the Austin Rover Group's 26,000 shopfloor workers will be urged to accept a two year pay deal which the company says will be worth about £21 or about 5.2 per cent over two years.

Shop stewards from the state-owned volume car makers' 11 plants yesterday voted overwhelmingly to recommend workers accept the package

□ General Motors' North American-built Griffon van range is to form the basis of an Anglo-US electric vehicle programme after the cancellation by Bedford, GM's UK commercial vehicles subsidiary, of its CF electric van project in July.

Agreement on the programme, which could lead to production of electric vans in North America in 1988, has been reached in Detroit between the Electric Vehicle Development Corporation (EVDC), the Electric Power Research Institute, GM, the UK government-backed Lucas Chloride EV Systems and several other parties.

City is a failure, says TUC

BY PHILIP BASSETT, LABOUR EDITOR

THE CITY of London had failed the UK economy, the Trade Union Congress (TUC) said yesterday. In its first-ever report on the financial sector, the TUC called for a "major reassessment" of Britain's finances in order to help industrial growth and reduce unemployment.

Launching the report, Mr Norman Willis, TUC general secretary, said that the financial sector's activities were crucial to the success of the British economy: "On that criterion I have to say that the City has been a failure."

Mr Willis said he did not intend just to knock the City: "It is far too serious for that. But we have grave reservations about how we are as a nation to invest ourselves into the future – towards much lower levels of unemployment than we have now."

Much of the TUC's report – the first of what Mr Willis said would be a series of scrutinies – is descriptive, detailing the range of the work of the financial sector, from retail banks and building societies to new financial legislation and next Monday's Stock Exchange Big Bang.

The policy thrust of the report is to argue against what the TUC sees as the City's failure to channel investment towards British industry. Mr Willis said: "The City's long-term success and future does not rest solely on its competitiveness over other countries, and in attracting business from overseas. The City's success is tightly bound up with the success of the rest of the economy."

Arguing against the "blinkered" view of institutional investment managers that their investment policies must be based on securing the highest short-run rate of return, the TUC says that the City's funds have been used since the abolition of exchange controls to fuel a massive increase in overseas investment.

"The common characteristic of both overseas investment and mergers is that in general they will result in less, not more, industrial capacity in the UK, and fewer not more jobs." It says that the City's investment policies eventually become self-fulfilling as they lock the UK economy into a vicious cycle of decline. Putting funds into UK industry becomes less and less attractive and the investment gap between the UK and its leading competitors grows ever wider.

Mr Willis said: "Until a major reassessment of the financing is made, British manufacturing will continue to go down not with a big bang but with a small whimper."

The TUC's report suggests a number of changes to help effect this reassessment. Among them is a new competition policy which would only allow company mergers which boosted exports, increase investment and save and create jobs; new controls on the level and direction of overseas investment; a National Investment Bank to provide long-term funds at below market rates to finance long-term high-risk projects and local economic initiatives in line with organisations such as the West Midlands Enterprise Board to provide start-up capital, loans and equity funding for new businesses.

TUC Report on the City. TUC, Congress House, Great Russell Street, London, WC1B 3LS. £1.50

Korean group to open electronics factory

BY DAVID THOMAS

SAMSUNG ELECTRONICS, part of Samsung, the diversified South Korean industrial group, is to open a factory in the north of England, the first Korean investment in electronics in the UK.

The factory, which will be in Cleveland, will create 150 jobs before the end of next year and could result in almost 500 new jobs after five years. Samsung will be investing about £5m initially and its investment could rise to about £20m–£25m after five years.

The company's decision to invest in the UK reflects an increased interest by the large Korean groups in manufacturing overseas.

At first, the plant will be making microwave ovens. Output of these is due to start before the end of next year. If this is successful, the factory will also make video recorders: it appears very likely that Samsung will go ahead with this second phase. Thirdly, the factory might make colour TVs, depending on the succes of the first two phases.

The Cleveland factory, which is believed to have received substantial Government grants, will initially assemble parts mainly imported from Korea, but it is thought the company will try to increase its use of British components quickly.

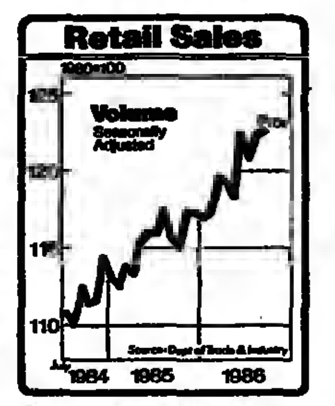
Samsung's only other investment in Europe is a joint venture making colour televisions in Portugal.

Last year, the company ran an eight-week advertising campaign on British TV for its televisions, videos, microwaves and stereos which have a relatively small market share in the UK.

Growth in retail sales may be stabilising

BY JANET BUSH

RETAIL SALES continue to ride high on the back of strong real income growth and freely available credit, but there are signs that the surge in sales is now stabilising at the high levels seen this summer.



The volume of retail sales rose a modest 0.2 per cent to a new record in September after the 1.4 per cent jump seen in August, according to provisional Department of Trade and Industry (DTI) figures released yesterday. This was slightly better than most forecasts which had looked for a flat figure or a small fall in the retail sales index in the month.

The DTI's September figures accord with the up-beat picture painted in the September Financial Times/Confederation of British Industry's survey

Retail sales in the three months from July to September were 1.5 per cent higher than in the previous three months

Smallest companies 'create new jobs'

By Janet Bush

THERE IS an urgent need to discover how to identify small companies with growth potential and how to encourage and help them, according to a study on job generation between 1982 and 1984.

The study, published in the Department of Trade and Industry's magazine British Business, uses the database of the credit rating and marketing company Dun and Bradstreet.

It showed the smallest British companies, with between one and 19 employees, were the only net creators of jobs during the period, generating at least three jobs at the end of the year for every 100 held at the start.

At best, larger British companies only held their own and companies employing more than 1,000 were net losers of jobs. For every 100 held at the beginning of a year, six had been shed by the end.

The authors said they believed that for cultural or economic reasons Britain's entrepreneurs lacked the motivation or skill to expand their businesses further once they had become established.

They noted that their analysis tended to interpret results for large companies favourably and penalise smaller companies, underscoring the conclusion that job creation was heavily biased towards the latter category.

There is still cause for concern that small companies seem to cease creating jobs at around only 20 employees. The equivalent figure in the US is nearer to 100.

The authors commented: "Perhaps most noteworthy is the contribution of tiny firms (with one or two employees) in balancing the job-losses from larger firms and keeping the private sector employment on the increase, as well as their importance to the rise in the rate of formation of firms ..."

Full report, £5 including postage, from Professor Colin Gallagher, Department of Industrial Management, Newcastle University, Newcastle upon Tyne, NE1 7RU.

Welcome for the prize that speaks volumes

Alice Rawsthorn explains why this year's Booker Prize for Fiction is more eagerly awaited than ever by a hard-pressed book trade

MONTHS of backbiting, browbeating and plain bitching will come to an end tomorrow when the 1986 Booker Prize for Fiction is awarded.

This year the book trade needs the sales stimulus of the Booker more than ever before. Having hauled itself out of the bookselling decline of the late 1970s, the book trade staged something of a resurgence in the early 1980s, only to suffer from sluggish sales this year.

For the larger book publishers the problems of a soggy domestic market have been compounded by the effect of adverse currency translations against sterling in their main overseas markets: the US and Australasia.

In recent months a succession of publicly-quoted book publishers – Associated Books, Octopus and William Collins – have produced lacklustre sets of results.

No-one really knows what caused the decline. One theory is that book sellers, having over-ordered last Christmas, were left with too many unsold books early in the year and have destocked since. Another is that the installation of new technology in book shops has made stock control more efficient and book retailers have, temporarily, been more prudent in their reordering.

"Whatever the reason the book market has been grim this year," said Ms Carmen Callil, managing director of Chatto & Windus and chairman of Virago. "Returns are higher than ever. Publishers' discounts are increasing. People are just not buying books. We really need the Booker, this time."

For British book publishers the presentation of the Booker is the most important event in the literary year. There are older established book prizes. Others, the Whitbread for example, offer more money to the winning writers. But of all literary prizes the Booker is the most prestigious.

To Booker, which makes its money from the prosaic businesses of fish farming, sugar planting and poultry breeding, the prize represents its most successful exercise in corporate communications. Even if, as the company cheerfully admits, the prize is rather more famous than Booker itself.

For the book trade the Booker means money. "How important is the Booker? It is momentously important," said Mr Tom Maschler, chairman of the publishers Jonathan Cape. "The Booker sells books. In fact it is our only chance to sell serious fiction in large numbers in the year."

It has not always been so. Booker began to sponsor the prize in 1968 with the modest intention of stimulating interest in serious fiction. The book trade, or rather the Publishers Association which conceived the prize, had rather loftier aims. It perceived the prize as an anglicised version of the Prix Goncourt, the French literary award which is given each year amid a blaze of publicity.

Initially the Booker's appeal was limited to the book trade. An early winner, Stanley Middleton's Holiday in 1974, sold just 6,000 hardback copies. But the prize was swiftly clouded by controversy.

"But the Booker has thrived on controversy," said Ms Maggie Van Reenen, director of the Book Marketing Council (BMC). "The row over whether Anthony Burgess or William Golding should have won in 1980 really made it. The television cameras arrived in 1981 and since then the prize has gone from strength to strength."

As the Booker has grown in stature so its power to sell books has increased. As a rule of thumb Mr Tom Maschler would expect the sales of the winning novel to rise 10 or 15 fold. In recent years Jonathan Cape has produced two Booker winners. Salman Rushdie's Midnight's Children sold 40,000 hardback copies in 1982 rather than the 4,000 originally expected. Anita Brookner's Hotel du Lac sold 60,000 rather than 4,500 in 1984.

The influence of the winning book is such that there are audible groans from the book trade if an "unsellable" book wins. Last year's winner, The Bone People by the Maori writer Keri Hulme, is popularly categorised as "unsellable". Yet its publishers, Hodder & Stoughton, sold 23,000 copies of the novel in the UK alone.

Ladbrokes, the bookmaker, is still accepting bets on the Booker winner. Kingsley Amis' The Old Devils is the frontrunner with odds of 2-1, followed by Robertson Davies' What's Bred in the Bone at 3-1, Kazuo Ishiguro's An Artist of the Floating World at 9-2, Paul Bailey's Gabriel's Lament and Margaret Atwood's The Handmaid's Tale at 5-1 and, finally, Timothy Mo's An Insular Possession at 6-1.

Bribe money must be repaid, says judge

BY RAYMOND HUGHES, LAW COURTS CORRESPONDENT

A MISSING London solicitor, Mr Peter Denby, was paid a £133,300 bribe by a Greek shipowner in dispute with his client, the Iranian state shipping line, a High Court judge in London said yesterday.

Mr Justice Leggatt ruled that Islamic Republic of Iran Shipping Lines was entitled to the money, paid to Mr Denby by A. Halcoussis Shipping. The Iranians' claim was not opposed by Mr Denby, who was not in court or represented.

He has been sought by the police since disappearing in June, after an incident in which he was discovered in a car in Mayfair, London, with two gunmen.

Mr Justice Leggatt said that in 1983 Halcoussis had agreed to pay Mr Denby a "commission" for arranging a prompt and satisfactory settlement of Halcoussis's claims against the Iranians.

The dispute, in which the Iranians had cross-claimed, was eventually settled on terms that Halcoussis would get \$2.2m rather than the \$3m it had hoped for.

Halcoussis did not consider Mr Denby had given value for money and paid him a reduced "commission" of £133,300. The money was paid through the National Bank of Greece to Mr Denby's account with the Midland Bank. It was then transferred to a numbered account at Banque Paribas (Suisse) of Geneva.

The judge said that Mr Denby had denied the existence of the Swiss account but, by a subterfuge, it had been discovered that the numbered account was in his name. The money had been transferred next to a client account of a company called Euro Shipping with the legal firm of which Mr Denby was then a partner. Part was used to buy a house, of which Mr Denby was part owner.

Mr Justice Leggatt said it was clear that the Euro Shipping client account had been used by Mr Denby for his own financial purposes.

The £133,300 had been received by Mr Denby as a bribe, which he had been able to arrange only because he had been the Iranians' solicitor. They were plainly entitled to recover it from him.

Demand rises for City office space

By Paul Cheeseright

DEMAND FOR office space in the City of London is outstripping supply and shortages are likely to continue into the 1990s, Savills, the estate agents, have concluded in their annual survey of City property.

For the first time since 1981-82, demand is exceeding supply. The level of demand has risen from 1.3m square feet in 1981-82 to 3.8m square feet in 1985-86. But over the last year only 2.6m square feet have been available.

Although the City has appeared to resemble a gigantic building site much of the development taking place has been to replace existing stock.

"Available space is at its lowest level since the mid-1970s," according to the report.

As a consequence prime office rents have been rising – by about 20 per cent in 1985-86, Savills calculate. And the upward trend is likely to be sustained in the view of Dron and Wright, another company of agents which has also produced an office space survey.

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FT COMMERCIAL LAW REPORTS

Liability for concurrent cause of loss

JJ LLOYD INSTRUMENTS LTD v NORTHERN STAR INSURANCE CO LTD

Court of Appeal (Lord Justice Lawton, Lord Justice Slade and Lord Justice Croom-Johnson): October 15 1986.

WHERE THERE are two concurrent and equal or nearly equal causes of loss only one of which is an insured peril, the insurers will be liable to indemnify the insured against that one unless the other is expressly excepted under the terms of the policy.

The Court of Appeal so held when dismissing an appeal by the insurer, Northern Star Insurance Co Ltd, from Mr Justice Mustill's decision ([1985], Lloyd's Rep 264) that it was liable to indemnify JJ Lloyd Instruments Ltd, owners of Miss Jay Jay, for damage caused by the impact of waves on the vessel's defectively designed hull.

Section 55 of the Marine Insurance Act 1906 provides: "(1) unless the policy otherwise provides, the insurer is liable for any loss proximately caused by a peril insured against . . . (2)(c) Unless the policy otherwise provides, the insurer is not liable for ordinary wear and tear . . . inherent vice or nature of the subject-matter . . ."

* * *

LORD JUSTICE LAWTON said that on July 15 1980 the motor cruiser, Miss Jay Jay, started a return passage across the English Channel from Deauville to Hamble.

It ran into choppy, confused sea with waves about three metres high. The helmsman found it advisable to go through the sea planing as far as possible from wave to wave. About every two minutes the cruiser fell into a trough because the waves were not evenly spaced. Whenever it did so it hit the water with a bang, producing a slamming effect on the hull. No criticism could be made of the helmsman.

When the cruiser arrived at Hamble it was discovered that as a result of the passage through the choppy, confused sea, the floor of the cruiser had cracked and part of the skin of the hull on the port side was missing from chine to topside. The cost of repair was about £30,000.

The owners claimed the insurers should indemnify them against the loss under a time marine policy. The policy indemnified against all loss or damage "directly caused by external accidental means."

The insurers said that what had caused the loss was not "external accidental means" but the admitted faulty design of the cruiser and that it was unseaworthy for a cross-channel passage during which such seas could be anticipated.

Litigation resulted. Mr Justice Mustill delivered judgment in favour of the owners. The insurers appealed on the grounds *inter alia* that the loss was not caused by "accidental external means," and that design defects, not the adverse sea, were the dominant and effective cause of the loss.

Impacts of the adverse sea on the cruiser's hull were clearly "external." So far as the owners were concerned they were unexpected because nothing of the kind had happened on the passage from Hamble to Deauville. Further, as the judge found, a cruiser of the relevant size and configuration ought not, if properly designed and built, to have suffered the kind of damage it did in such conditions. That was enough to make what happened "accidental."

That, however, did not make the insurers liable under the policy unless the loss was "proximately caused by a peril insured against" under section 55(1) of the Marine Insurance Act 1906.

Mr Justice Mustill found that the cruiser was so defective in design and construction as to be unseaworthy for a passage from Deauville to Hamble. If the defects had been the sole cause of the loss, the owners would not have been entitled to claim at common law, or because of an express exclusion in the policy. But the judge found that unseaworthiness due to design defects was not the sole cause of the loss.

It seemed to be settled law that if there were two concurrent and effective causes of a marine loss, and one came within the terms of the policy and the other did not, the insurers must pay. *Halsbury's Laws 4th ed vol 25 para 181* stated: "If one of these causes is insured . . . and none of the others is expressly excluded from the policy, the assured will be entitled to recover."

In *Wayne Tank and Pump Co [1974] QB 57* the court considered what should happen when there were two equal or nearly equal causes, one being within general words so as to make the insurers liable and the other being within an exception so as to exempt them from liability. It was agreed that the exception applied.

Since the insurance did not exclude unseaworthiness or design defects which contributed to a loss without being the sole cause, the owners' claim fell within the policy, provided that what happened in the sea conditions was a proximate cause of the loss.

In the past, judges had used synonyms for the statutory word "proximately" — "dominant," "effective" and "direct." In *Smith Hogg & Co [1940] AC 997, 1006* Lord Wright favoured "dominant."

What had to be decided was whether, on the evidence, unseaworthiness due to design defects was such a dominant cause that a loss caused by adverse sea could not fairly and on common sense principles be considered a proximate cause.

The evidence did not establish anything of the kind. What it did establish was that but for a combination of unseaworthiness due to design defects and adverse sea, the loss would not have been sustained. One without the other would not have caused the loss. Both were proximate causes. The appeal should be dismissed.

LORD JUSTICE SLADE agreeing, said that "accidental" in the policy must exclude events which must happen in the ordinary course of navigation. The sea conditions did not fall outside the phrase "accidental means" merely because they were such as a person navigating in those waters could have anticipated. Even if an event were a readily forseeable risk it might still properly be regarded as accidental when it occurred.

In the present case the weather conditions were found to have been markedly worse than average. They were by no means bound to occur. They fell within the description of an "accidental" cause. "External" in the policy simply fell to be read as the antithesis of "internal." The impact of the sea on the yacht's hull clearly amounted to "external" rather than "internal."

The question was whether the loss was "proximately" caused by the weather conditions.

It was clear on any commonsense view that the sea conditions at the relevant time must be regarded as at least a cause, whether proximate or not, of the damage. It was no less clear that the faulty design must also be regarded as a cause, whether proximate or not.

On a commonsense view of the facts both causes were equal or nearly equal in their efficiency in bringing about the damage. If the policy had contained a relevant express exception relating to loss caused by unseaworthiness, the owners' claim might well have been unsustainable. The policy contained no relevant exception.

The passage in *Halsbury's 4th ed vol 25 para 181* incorporated the principle applicable to the present case. The crucial point was that for the purpose of applying the provisions of the policy and of section 55, the loss was treated as proximately caused by the cause insured against, notwithstanding the presence of a concurrent cause not covered by the policy.

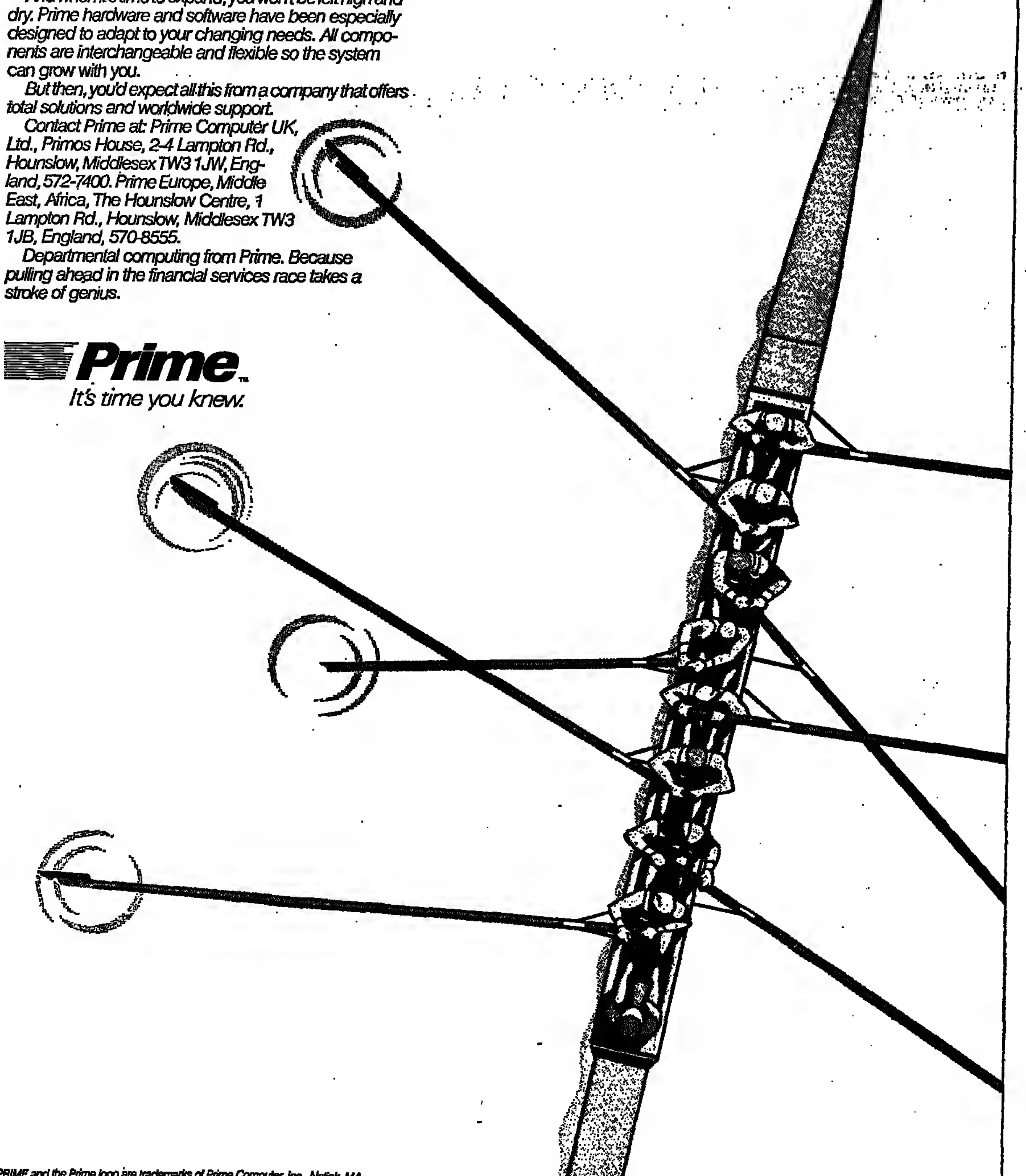
The loss in the present case was properly to be treated as having been "proximately caused" by a peril insured against (the impact of adverse weather conditions), though faulty design and construction of the yacht might have been of equal efficiency in bringing about the damage.

Lord Justice Croom-Johnson agreed.

For the insurers: Geoffrey Brice QC and Belinda Bucknall (Ingledew Brown Bennison and Garrett).

For the insured: Adrian Hamilton QC and Jeffrey Gruder (Ince & Co).

Rachel Davies
Barrister



Leeds City Art Gallery/William Packer

British Surrealism put in context

Several important and substantial general studies of Surrealism have been made in recent years, of which the most notable in England was the Arts Council's *Dada & Surrealism Reviewed* at the Hayward Gallery in 1978. In all of them the contribution made by British artists to that larger picture was covered in some way or at least referred to, for Surrealism has been one of the driving forces of the modern movement, with more than energy enough to cross the Channel. But now, with *Surrealism In Britain In The Thirties*, which the Leeds City Arts Gallery has put on (until December 7) to mark the jubilee of the International Surrealist Exhibition that Roland Penrose brought to London in 1936, the subject and substance of that British contribution is addressed specifically and given its full due at last in a public gallery.

The results are fascinating and perhaps surprising. We British have the reputation of being a non-visual people in our culture and interests, and are inclined to render quite invisible for long periods the work of certain artists, groups or even movements as a whole. The Pre-Raphaelites, the Camden Towners, the Bloomsburies and so many more all suffered their turn in just this way, and if it is at all odd that British Surrealism since the 1930s should have suffered too, the oddity lies only in that Surrealism itself is the most literary of modernisms, and we pride ourselves, if not on our visual, at least on our literary sensibility.

The Leeds exhibition is therefore of real significance and lasting critical importance, for it makes British Surrealism visible once more, firmly established in its contemporary international context. To say this is not to forget or discount the brave and necessary pioneering work of rehabilitation that a number of private galleries undertook within the past 20 years, especially that of the excellent and still much missed Hamet Gallery in the early 1970s, and of the Mayor Gallery, so closely engaged with the Surrealists before the War.

Without their efforts to re-educate us all ahead of market fashion nothing more could have happened, for curatorial eyes take quite as long to adjust as our own. But they could only achieve so much within a limited scope. It was the international dimension which was lacking, which Leeds now supplies. For just as the 1936 show was avowedly international, at Leeds it is made quite clear that the British artists of the time were already active participants in the international theoretical and creative debate.

Theories, manifestos and declarations multiplied and the politics of art, with all their factions and betrayals and castings out, were fiercely argued. The hefty catalogue (subsidised by the Henry Moore Foundation and the Henry Moore Study Centre in Leeds) gives an admirable account of them. But it must be rather in the looking than in the reading that Surrealism is to be found and the show takes us briskly through the matter, stage by stage.

It is arranged in small sections under 13 themes or headings, beginning with *What is Surrealism* and ending with a retrieved selection from the *1936 exhibition* — the largest section — and *Premonitions of War*. This last is a small group of somewhat sinister items that includes Giacometti's splayed Woman with her throat cut of 1932, Magritte's *Le Drapeau Noir* of 1937 with its unmanned flying machines, and the small helmet sculpture of Henry Moore of 1940.

All the great masters of surrealism are represented in the exhibition, whether surrealism was for them an absolute commitment or but one stimulus among many: Ernst, Dali, Masson, Tanguy and Magritte for example on the one hand, Picasso, Giacometti and, among the British, Moore and Paul Nash on the other. All are shown by fine and particular works, and yet it is perhaps the less familiar figures who quietly steal the show, whose work we so lately dismissed and now begins to look so good. Ceri Richards, Eileen Agar, Merlyn Evans, John Melville and Conroy Maddox, whose closeness to Magritte no longer works so much to his disadvantage, are only a few of those who suddenly seem so much more substantial. And there is the late Sir Roland Penrose, prime mover of the 1936 exhibition and ring master of British Surrealism, to whose memory this exhibition is rightly dedicated, and represented by major works from his estate never shown before.

What is Surrealism, the exhibition asks? A *Metamorphosis* perhaps, *the Inner Consciousness* or a *Premonition of War*, perhaps *The Landscape of a Dream* or *A Dream of Women*, or simply the fruit of arbitrary and automatic technique, collage, frottage, free juxtaposings and association. These are but some of the answers or possibilities it suggests by demonstration. "This summer, the roses are blue; wood is glass. The earth clothed in its greenness, makes as little impression on me as a ghost. To live and to cease to live are imaginary solutions. Life is elsewhere." Thus said André Breton in the first Surrealist Manifesto of 1924, quoted here in the catalogue, and as good an answer as any.

"Passage de l'Opera" by Conroy Maddox

Bolshoy Giselles/Palais des Congres

Clement Crisp

The Bolshoy Ballet, complete with its orchestra playing superbly well, is repeating its London triumphs in Paris, albeit the reception for *The Age of Gold* has been reported as less enthusiastic than at Covent Garden. The repertory novelty for Paris has been Yury Grigorovich's revision of *Giselle*. There could be no greater contrast than with the Leonid Lavrovsky production which was part of the Bolshoy's first triumphs at the Royal Opera House 30 years ago. That staging offered naturalistic detail, with a narrative which sought explicit logic for each incident and a sympathetically democratic air for the village scenes. Grigorovich's aims are plainly other.

A key lies in Simon Virsaladze's design for Act 1, which presents an autumnal forest suggested by brush strokes of ochre, with a spectral schloss for Albrecht faintly seen in the distance. There is nothing veristic in this, and Giselle's first appearance confirms the impression: she is in a bell-shaped white tulle dress with sleeves that fan out at the elbow — already more wili than peasant, and wholly a ballerina. *The paintaking literalism of* many of today's *Giselle* stagings (which try to impose coherent argument upon the most allusive of the arts) is everywhere avoided. What we see, and the danced entry for the hunting party—falconers and all—confirms this, is a metaphor for Giselle, through which the mad-scene cleaves like Albrecht's sword, to be followed by the greater abstractions and fantasy of the wili act. The choreography is traditional, a conscious return on Grigorovich's part to the last vestiges of Petipa's late 19th century recensions, and with the first of the two Giselles whom I saw last week, Natalya Bessmertnova, it is also a display case for the superlative dancing of its heroine and the female corps de ballet.

The presence of Bessmertnova as the peasant Giselle is markedly like that of Anna Pavlova recorded in photographs—a being from another world whose genius is to expose Giselle's dances without distraction. In Bessmertnova's interpretation, and in Semenyaka's on the following evening, this is more than generous reward.

Poised over the dance, the curve of arms and hands a ravishing image, Bessmertnova's peasant girl is the assoluta warming up for the mad-scene and for Act 2. Miraculous things come from the way the stylisation of the production frames Bessmertnova's intensity in madness. Unforgettable too the moment when she places hands to heart and closes her eyes—Giselle's agony of spirit caught in piercing fashion. But these are mere portents of the second act's splendour.

Virsaladze proposes a lake fringed by hills, shaded by massive bare trees beneath a cloud-torn sky. The sublime cohorts of the Bolsoy wilis materialise; Bessmertnova appears amid trees and huge plants (Grigorovich uses the proper 19th century machinery to capture moments immortalised in Romantic iconography) then sustains long floating phrases of movement with effortless art. Her interpretation is so powerful in its concentration that it burns the dance on the memory: it is powerful, too, in its dynamics, so that there are no thin or tenuous driftings, for all the vaporous quality of the dance.

And, most fascinating, this is a view of a ballerina completely mistress of an interpretation, pouring out her art in ritual, conscious both of the implications of the ballet and of the identity of the assoluta "as" Giselle. An intensely personal manner becomes truth, and we are mysteriously in the presence of a Russian interpretative tradition, through Ulanova and Semyonova, to Spessivtseva (whom Bessmertnova passingly resembles) and Pavlova. We are watching history.

With Lyudmila Semenyaka's Giselle on the following night the old ballet became the story of a soul's journey. Semenyaka is (with Makarova) the most spiritual Giselle I have seen. An early sign comes when Berthe warns this sincere, tender girl about the dangers of strain to her heart. Semenyaka, whose eyes, like those of every great dancer, are an immediate guide to feeling, looks away, and it is as if she has made a decision, foreseeing the tragedy that lies before her. This identified the start of the huge span of emotion which unites the two halves of the ballet in an incomparable reading. Semenyaka's account of the first act dances has a classic purity and a grace of feeling that take the breath away. The mad-scene starts gently, but as pain becomes too strong, Semenyaka seems driven desperately and fiercely towards her death.

The wili Semenyaka mirrors this same development in feeling. The dances with Albrecht build to a fevered climax, cathartic for Giselle, from the first imponderable manifestation of Semenyaka's line as it unfolds and surrounds Albrecht with compassion. In the subsequent duets she flies urgently into the dance to sustain her lover. The performance has a self-immolating determination as Giselle floats and bounds to protect Albrecht. Sunrise and the church bell striking four find the wili drained of force and of corporeal existence, and we comprehend that the rite has been accomplished. Giselle's love has been fulfilled, and she will never again rise from the grave. Semenyaka's performance speaks of the greatest physical and intellectual grace.

The Albrechts for these two Giselles were Yury Vasyuchenko, elegant and refined as cavalier for Bessmertnova, and Vyacheslav Gordeyev, impassioned and bold, as Semenyaka's partner. Mention has to be made of Nina Ananiashvili's Myrtha, whose arrowy jump can command the night winds for support, and tribute paid to the marvel of the Bolshoy's wilis, perfect in physical amplitude as in unity of style.

The evening began, inexplicably, with a short ballet by Vera Boccadoro, a French choreographer long resident in Moscow. Purporting to be inspired by Pushkin's poem about Mozart and Salieri, it offered fine male dancers—Andrey Fedotov as Mozart; Alexander Vetrov alternating with Andris Liepa as Salieri; Sergey Gromov as a fatal Man in Black—ripping through predictable sequences of steps from what looked like the men's morning class, while behind them the Bolshoy orchestra played gems from Mozart and paste from Salieri. The jejune fatuity of the enterprise was made bearable by the performance of orchestra and dancers.

Sarbu/Elizabeth Hall

Dominic Gill

I was greatly impressed by the Roumanian violinist Eugene Sarbu (then 28 years old) when he won the Carl Flesch Competition in 1978, and subsequently by a number of concerts and recital appearances. The playing combined unusual technical sparkle with real originality and poetical insight; and among the competition list of Conservatoire clones, his talent shone especially bright. Destined for greatness — a colleague's catchphrase which Sarbu's publicity blazoned as a banner for many years — did not seem too wide of the mark.

Destined for the Palm Court circuit, when I heard him again five years later, seemed nearer the truth. The Tartini, Fauré, Vieuxtemps and Beethoven on his programme might all have been the same glib composer, concerned only to spin out as many notes as possible, as fast and ostentatiously as possible, without nuance, variety or relief. That was a truly vile recital: but to judge from his appearance last Friday night, Sarbu seems to have calmed down a little meanwhile. The programme and its treatment were more serious, the musical approach straighter, the platform manner less effortfully flamboyant. It did not prove, as it happened, to be a particularly interesting or arresting evening of violin playing: but at least it was not disagreeable.

The achievement is at best of moderate distinction: good rich tone, secure tuning, precise and flexible articulation. In his hands Beethoven's D major sonata (op. 12 no. 1) and Dvorak's charming little G major sonatina (op. 100) now receive solid teaching performances, of the sort you would expect to hear from the best of the graduate class at a respectable international school. But the playing even here is full of happy-go-lucky roughnesses: nothing is smooth, nothing quite perfectly turned; the mezza voce starts out beautifully, but then the bow wanders too far along the string and the tone becomes wispy; the grandly expressive opening gesture, for lack of nothing more than cohesion and concentration, ends up lame.

By the second half, when he was well warmed up, Sarbu could come to terms a degree or two more firmly with Prokofiev and Schumann: but Schumann's first sonata in A minor, still unfairly neglected, can do with more eloquent championing than a capable play-through—adequate and decent enough as far as it went, but with many miles further to explore. Sarbu was accompanied by his sister Carmina Sarbu: a quick, responsive partner, and one whose solo talents, I should guess, deserve to be heard here soon.

Arts news

Ian McDiarmid is to play the title role in *Edward II* by Christopher Marlowe at the Royal Exchange Theatre, Manchester, from October 23.

It will be McDiarmid's first role at the Royal Exchange since becoming the company's associate artistic director this autumn. Nicholas Hytner directs.

★

Diana Rigg will head the cast in a new play by N. Richard Nash, *Wildfire*, which opens at the *Phoenix Theatre* on November 18. Directed by Peter Wood with designs by Carl Toms, the play's cast also includes Kevin McNally, David Healy, Mark Wing-Davey, Carmen Rodrigues.

The play will have a pre-London run in Bath from November 4-8.

Whitney Houston/Wembley Arena

Antony Thorncroft

Whitney Houston is very beautiful. She has a magnificent voice, both confident and far ranging. And she has as much charm as a word processor. As she enters the ring at Wembley (she performs in the round) the heart jumps at the sight of this lithe, smiling, figure in the clinging turquoise dress. It immediately sinks when she announces that "this is one of the most exciting moments of my life." Performing at Stalag Wembley, that charmless, concrete, coal bunker?

Perhaps there was no hope for her. The daughter of Cissie Houston, the cousin of Dionne Warwick, friend of Aretha Franklin, she was raised to that schmaltzy soul routine under which everyone has a wonderful time because they are such wonderful people. So, as a drunk totters in, balancing two pints of beer in plastic containers and shouting "I love you Whitney," the star turns and shimmers and "I love you, too" back. It does not seem very likely.

But if the packaging is plastic, the look is superb. The stage slowly revolves, allowing the thousands to gaze at this pretty young thing pouring out her tales of love, mainly love unfulfilled, or unappreciated. There is little to distinguish the songs which have become the small change of the disco world but the faster numbers, like "How will I know," are better than the sluggish "Saving all my love for you." The music also peps up when Whitney has another voice to bounce off, in this case that of brother Gary: for the odd second you even feel these might be real people singing out their traumas.

But not for long. The tricks return, most notably in "I am changing" where she makes little shrieks between timeless pauses and allows the audience to get very excited about very little. Before she has had time to find herself and develop her own personality Whitney Houston has been claimed by show business—a sad, but lucrative, fate.

★

So far Ben Watt and Tracey Thorn, the duo that makes up Everything but the Girl, have managed to hold on to their integrity, even when filling the Albert Hall with cascades of strings to back up their new emotional ballads. Their concert succeeded against the odds, and was quirky, quaint and compelling.

Nigel Rogers/Wigmore Hall

Richard Fairman

Fortunate is the singer who finds himself in the right place at the right time. Nigel Rogers started his career when public interest in historical performing practices was beginning to stir and has flourished as the desire for authenticity has reached its height. His recital on Saturday night marked 25 *years in the profession, most of* them spent working with early music—an almost unthinkable occupation for any singer of the generation before.

One cannot claim that the voice is as fresh now as it was at the beginning. This recital did not offer much beautiful tone. The quality of sound is not really even and some vowels introduced a touch of nasality. But so many years' experience in this repertoire brings its own rewards: the quick ease of the baroque ornaments and the pointed words, which brought Lawes' sparkling "Amarantha, sweet and fair" to life.

This tenor voice must have introduced countless listeners to music they did not know before. From the Italian monodies of Caccini and Monteverdi to the English songs of Lawes and Locke, which made up the first half, Rogers has been tirelessly active in searching out the best of all countries and periods. The inclusion of three first-rate 18th century solo cantatas, which even he has not performed before, showed how much more there always is to go.

The best of them was *Les Syrènes* by Montéclair. This took a paradigm piece, telling the story of Ulysses being drawn on to the rocks by the Sirens, in vividly pictorial, its harmony and expressive vocal lines rich in ideas. All its drama came across here, though not much of its French elegance. Rogers is hard pushed at the top of the voice these days and his lunging for top notes sounded frankly clumsy.

Expert support in the accompanied items came from Mark Caudle on viola da gamba and baroque cello and John Toll as the harpsichordist, who added a stylish account of Tomkins' "A Sad Pavan for these Distracted Times," written after the execution of Charles I.

Revo/Battersea Arts Centre

Claire Armitstead

Umoja is a black theatre company which was set up three years ago to provide a cultural answer to questions of race and identity in urban Britain today. Compared with the rich extravagance offered by contributors to the current Caribbean Focus festival at the Commonwealth Institute, Umoja's is a strikingly Westernised voice, which has adopted European forms and structures to tell its own stories.

This is not necessarily a criticism: with its last production, *Alas Poor Fred*, Umoja took a paradigm of lower middle-class Englishness — James Saunders' absurdist comedy written in 1959 — and shed a fascinating new light on it by recasting it wholly believably, with black actors.

With its latest show *Revo*, it rather less successfully takes on board the black comedy of Joe Orton and the mad-cap political farce of Dario Fo. Revo is a Caribbean island where the paranoiac potentates shoot first and ask questions later — with disastrous results when the leader mistakingly bags his deputy in a night-time encounter on the verandah of government house.

An emergency cabinet meeting, which reveals the chief of police to be a ganja grower and the leader an inadequate propped up by a corrupt puppet regime, throws up a chance of salvation in the unlikely form of a garrulous rastafarian idealist who is ripe to be framed for assassination. Meanwhile the forces of revolution are closing around the beleaguered government; the dead minister's wife reveals her true colours, and the incendiary devices are gathering like flies at another fly's funeral. Can our gang of four ride the storm that is gathering over the tiny island of Revo?

The play, written by Trinidadian Shango Baku, has its moments and shows a marked improvement in the second half. But the comedy is uneven, giving a rough ride to director A. J. Simon who does his best to marry slapstick with the wordy satire of political posturing. There are times when the pace falters between the two.

For instance, in the initial night-time cabinet meeting, the four ministers harangue each other in military jackets atop underwear — long johns for the chief of police, boxer shorts for the public info man. The farcical comedy of this is compromised by its piecemeal revelation: we see one minister in underpants and we are bemused; we see another, and accept it as form. Somewhere along the line a laugh is lost.

But the show does boast some accomplished performances, particularly from Sylvester Williams as the manically grinning comrade leader; Lenny Algernon Edwards as the increasingly less suave chief of police, and Morel Bernard — the one female cast member — as the seductive revolutionary, Mariane. It is an interesting play if not a perfect one, which deserves more than the thirty faces gathered around it at Battersea Arts Centre on Saturday.

Saleroom/Antony Thorncroft

One of Manet's greatest paintings, a view of Rue Mosnier aux Paveurs, in Paris, is to be sold at Christie's on December 1st. A price in excess of £3m is expected, which would be an auction record for this Impressionist artist. The painting, a work of the 1870's, was offered to the National Gallery, which reluctantly declined it because of a cash shortage.

The Manet is being sold by Mr James Butler, a son of the late Lord Butler who had acquired it through his marriage into the Courtauld family. Although the National Gallery is in possession of a £30m endowment fund from J. Paul Getty III, which provides around £3m a year on top of its Government purchase grant of £2.75m, it felt it lacked the resources to add this Manet to the four it already owns.

The Butler family has already sold an important Seurat, "Le chenal de Gravelines," for £6m. It went abroad, and the Manet is likely to suffer the same fate. But a third Butler painting, "Place Clichy," by Renoir, has been offered to the Fitzwilliam Museum in Cambridge which is close to raising the £1m needed.

At Christie's yesterday there was a good demand for British ceramics, which totalled £284,031 in the morning session with 7 per cent unsold. The top price was the £19,800 paid for a Chinese Immortal, Lu Tung-Pin, which was actually produced in Bristol, at Benjamin Lund's factory in 1750. Only nine other examples of this figure are recorded, and the price was at the top of the forecast.

The London dealer Winifred Williams was an active buyer, paying £14,300 (as against a top estimate of £4,500) for a Chelsea "Crawfish" salt of 1745-1749, and £9,900 for a Chelsea group of two goats. Both were painted in the workshop of William Duesbury, and no other example of the goats has survived.

Another dealer, E. Simmons, bought a pair of Wedgwood and Bentley black basalt vases and covers of around 1775 for £7,700, at the lower end of their forecast.

There were some exceptional prices paid at overseas auctions during the weekend. Sotheby's raised £1,412,530 from selling decorative art of the 20th century in Monaco while Christie's brought in £2,180,313 from its American auction in New York.

At Sotheby's a dining room table and eleven chairs made around 1928 by Pierre Chareau sold for £131,290 (as against a £30,000 forecast) and set a record for an item by Chareau while the £52,086 paid for a coffer in pâte de verre and wood, made by Daum around 1905, was a record for this manufacturer.

The extraordinary prices paid for 18th century furniture continue, and in New York a Chippendale style sofa, made in Philadelphia around 1775, sold for £417,241, way above forecast.

★

The first ever antique scientific instruments Fair will be held in London on November 9 at the Westminster Hotel, Curzon Street. Thirty four dealers will be taking part, offering a wide range of instruments, from navigation to medicine, philosophy to surveying. Prices range from £5 for a pocket compass to £35,000 for a 16th century Italian celestial globe on Atlas.

Arts Guide

Music/Monday. Opera and Ballet/Tuesday. Theatre/Wednesday. Exhibitions/Thursday. A selective guide to all the Arts appears each Friday.

October 17-23

Opera and Ballet

ITALY

Florence: Teatro Comunale: An Italian in Algiers conducted by Roberto Abbado and directed by Sonja Frisell includes Lucia Valentini Terrani, Claudio Desderi, and Enzo Dara. Scenery and costumes are by Jean-Pierre Ponnelle (277 9236).

Florence: Teatro Metastasio (Prato): Ballet National de Marseilles in Roland Petit's *Pavlova, Les Chemins de la Creation* to music by Chopin, Saint-Saens and Tchaikovsky, with scenery by Josef Svoboda (277 9236).

Trieste: Teatro Comunale Giuseppe Verdi: Rigoletto conducted by Hubert Soudant and directed by Lamberto Puggelli, with scenery and costumes by Luisa Spinatelli. (631 948).

Rome: Teatro Olimpico: (Piazza Gentile da Fabriano): Twyla Tharp Dance Company (360 1752).

PARIS

The Bolshoi Ballet and the Bolshoi Philharmonic Orchestra present three different programmes: The Golden Age, Raymonda, Giselle, and Mozart and Salieri at the Palais des Congrès. Porte Maillot until October 27 (4758 1494).

NETHERLANDS

Amsterdam, Muziektheater. The Netherlands Opera production of Tchaikovsky's Eugene Onegin directed by Michael Geliot, with the Netherlands Philharmonic conducted by Christian Badea, and soloists Lenus Carlson, Hans-Peter Blochwitz, Annet Andriesen and Adriana Vanelli (Mon, Thur). Angelo Branduardi with a concert of Yeats poems set to music (Tue). (255 455).

WEST GERMANY

Berlin, Deutsche Oper: Die Lustigen Weiber von Windsor; Lucia di Lammermoor; Tosca, sung in Italian; Hoffmanns Erzählungen; Zar und Zimmermann.

Hamburg, Staatsoper: Der Rosenkavalier has Judith Beckmann, Hildegard Hartwig and Kurt Moll. The Magic Flute brings Gabriele Fontana, Martti Talvela and Franz Grundheber together. La Clemenza di Tito has a particularly strong cast with Judith Beckmann, Daphne Evangelatos, Werner Hollweg and Stafford Dean. Also Le Nozze di Figaro.

Frankfurt, Opera: Orpheus in der Unterwelt is a well done repertoire performance. Der Rosenkavalier features Barbara Bonney, Nancy Shade and Aage Haugland. Also Der Zigeunerbaron, conducted by Michael Luig.

VIENNA

Staatsoper: Fidelio; La Traviata conducted by Boncompagni with Cotrubas; Tosca conducted by Buckley with Troitskaja, Aragall, Wixell; Un Ballo in Maschera conducted by Abbado with Price, Pavarotti, Nador, Cappuccilli; Elektra (51 444/26 55).

Volksoper: Hello Dolly; Die Fledermaus; Orpheus in der Unterwelt; Madame Pompadour; Polenblut; La Fille mal Gardée (51 444/26 57).

NEW YORK

Joffrey Ballet (City Center): The five-week, 30th anniversary season features Frederick Ashton's La Fille Malgardee, a newly commissioned work from Mark Morris and the New York premiere of Mark Haim's The Gardens of Boboli. Ends Nov 16. 55th & of 7th Av (581 7907).

Metropolitan Opera (Opera House): The week features Tosca conducted by Garcia Navarro in Franco Zeffirelli's production with Eva Marton, Placido Domingo and Italo Tajo; James Levine conducting Le Nozze di Figaro in Jean-Pierre Ponnelle's production with Elisabeth Söderström, Kathleen Battle and Thomas Hampson; John Dexter's production of Aida is conducted by Nello Santi with Martina Arroyo, Grace Bumbry, and Leo Nucci. Julius Rudel conducts Manon in Gian Carlo Menotti's production with Leona Mitchell, Ermanno Mauro and Brian Schexnayder; Otto Schenk's production of Die Walküre conducted by James Levine with Hildegard Behrens, Jeannine Altmeyer and Simon Estes; and Madama Butterfly conducted by Gianfranco Masini in Renata Scotto's staging with Yoko Watanabe, Vasile Moldoveanu and Lenus Carlson. Lincoln Center (362 6000).

LONDON

English National Opera, Coliseum: Aida, one of the less successful ENO attempts to put on spectacular Grand Opera, returns with Janice Cairns in the title role, Linda Finnie, Eduardo Alvares, and Patrick Wheatley also in the cast, and the Dutch conductor Kees Bakels making his London debut. Also in repertory: the bright new Mikado, produced by Jonathan Miller without any Japanese costumes or routines, and given lively performances by Eric Idle, Felicity Palmer and Richard Angas (among others); and the irritatingly over-produced Madam Butterfly staging by Graham Vick, with Rosamund Illing and David Rendall in the leading roles. (836 3161).

CHICAGO

Lyric Opera: Christof Perick conducts Pier Luigi Pizzi's production of Parsifal, a Lyric Opera premiere, with Tatiana Troyanos, Jon Vickers and Hans Sotin. Michael Tilson Thomas conducts John Copley's production of La Bohème with Katia Ricciarelli as Mimi and Luis Lima as Rodolpho. (332 2244).

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The defence of Europe

COMPLAINTS BY Nato generals, that they were inadequately consulted over the arms control negotiations which almost produced such spectacular results at the Reykjavik summit, are misplaced and unreasonable. European anxieties that some of the potential elements in the Reykjavik package could have worrying implications for Nato strategy and the defence of Europe, are neither misplaced nor inherently unreasonable, and deserve to be fully debated. Nevertheless, in a radical arms control negotiation between the US and the Soviet Union, where both sides are deliberately attempting to bring about change across a broad spectrum of issues, Europe can scarcely hope to exert a veto on Washington's freedom to negotiate; it may have to face the fact that one of the consequences of a radical arms control package between the superpowers might need to be a reappraisal of Europe's security strategy.

Earlier discussions

Complaints about inadequate consultation are unreasonable, because virtually every element in the proposals put forward or accepted by the US in Reykjavik had, at some stage or other, been communicated to or discussed with America'e Nato allies.

The most controversial plan, for the complete elimination of Euro-missiles from Europe, seemed at variance with previous Nato discussions, which had apparently persuaded the US to aim more modestly at a reduction to 100 warheads on either side. Never the less, the fact remains thet the zero-zero option corresponded closely with the original proposal which the US had consistently put forward at the first Euro-missile negotiations in Geneva in 1981-83. Europeans may have decided on reflection that they did not find the zero-zero option all that comfortable; but they could not seriously complain thet they had not been consulted.

In any case, the Reykjavik summit turned out e very different meeting from anything anticipated by tha US administration. President Reagan did not go to Iceland expecting detailed negotiations across a broad range of arms control issues, let alone negotiations which would appear to make rapid progress towards far-reaching agreement. In the circumstance, the two-day process was too intense, and the apparent movement too rapid, to be interrupted or slowed down for additional alliance consultation.

On the other hand, no part of the Reykjavik package was finally and formally agreed, let alone translated into treaty language, and the Kremlin has now swept away equivocation by making it clear that there will be no agreement on any part of the package unless there is agreement on the whole package: there will be no separate Euro-missile agreement. It may be difficult for President Reagan to go back on the terms of any of tha provisional agreements reached in Reykjavik, but it must be possible; if the European members of the Alliance are really unhappy at the prospective deal, now is the moment to say so.

The case against the zero-zero option is that it risks decoupling Europe from the US, and makes Nato's military strategy more difficult. European governments have long felt that the cruise and Pershing II missiles, ostensibly required to answer the build-up of the Soviet SS 20s, were really political weapons, intended to symbolise America's ability and willingness to help defend Europe with nuclear weapons based in Europe which could hit the Soviet Union. Their complete removal might appear to place in question America's commitment to Europe.

Conventional forces

At the same time, it would highlight the balance of conventional forces in Europe, where the Soviet Union has a significant advantage, as well as the balance of short-range nuclear weapons, where the Soviet Union has a very large advantage. Since 1979, Nato

On balance, then, the Euro-missile deal almost agreed in Reykjavik will seem disadvantageous to Nato. European governments must recognise, however, that they got themselves into this quandary by declining to muster purely conventional forces on a credible scale; that there is understandable queasiness over a strategy which, in effect, assumes that Nato would be ready to be the first to use nuclear weapons; and that America's commitment to the defence of Europe will not be enhanced if Europe's main response to the quandary is to try too conspicuously to argue against a major arms control agreement with the Soviet Union.

Mozambique after Machel

IT IS a sad irony that President Samora Machel of Mozambique should have met his death in a plane crash near Nkomati, the South African border town where in March 1984 he signed a non-aggression pact with Pretoria. At the time President Machel saw it as the start of a new era in relations with the Republic which might prove an example for Southern Africa as e whole. But as events turned out, Mozambique at the time of his death is wracked by a civil war and a devastated economy, and the relationship with South Africa is strained to a dengerous degree.

The agreement that neither government would provide arms to opposition groups, seemed to offer both parties the chance to come to terms with their problems. In the case of Pretoria, it was hoped that Mr P. W. Botha would follow up the pact by constitutional talks with the African National Congress (ANC) and other black leaders. For his part President Machel believed an end to South Africa's backing of the Mozambique National Resistance (MNR) would help bring an end to the civil war which had contributed to the destruction of the country's economy. This had never recovered from the upheaval of independence in 1975, when Portuguese settlers left en masse, the spillover of the Rhodesian war and the impact on agriculture of alternate years of drought and flood.

Local loyalties

Within a few months, however, it became apparent that South Africa was not keeping its side of the bargain. In recent weeks, the situation has deteriorated alarmingly, South Africa and Mozambique have been accusing each other of hostile acts, with Pretoria alleging that President Machel had once again been supporting ANC guerrillas while Maputo repeated earlier charges that South Africa was assisting the MNR, and claiming that Pretoria had marshalled its own forces on the border prior to an invasion. This tense situation is in danger of being exacerbated by President Machel's death, even if it is shown that the plane crash in which he died was indeed an accident.

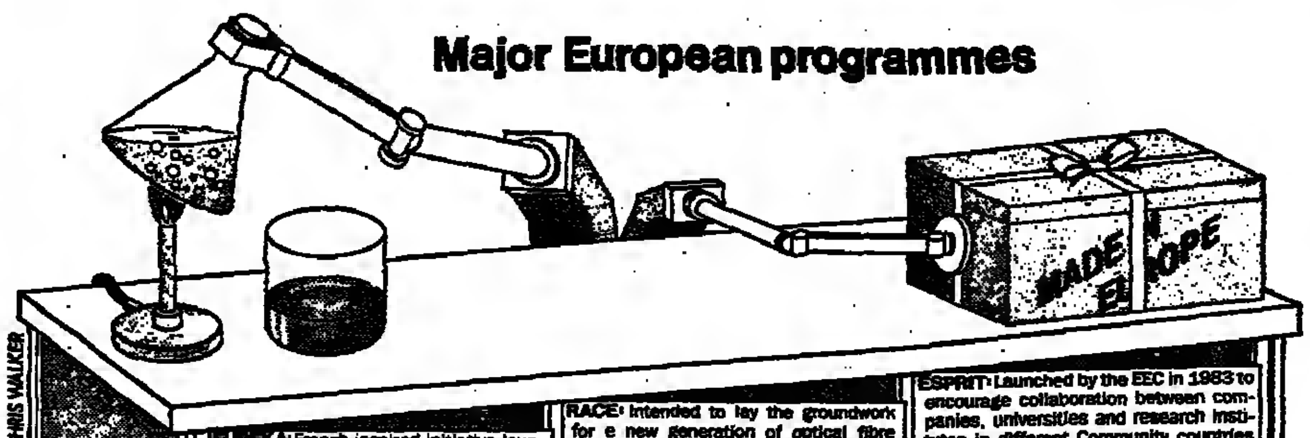
The president, who dominated the Government since some formidable problems to his interim successor, Mr Marcelino dos Santos. The first task is to ensure that there will not be a power struggle in the ruling Frelimo party between those committed to a strict interpretation of the Marxist ideology which the state officially advances, and those who wish—as did the president himself—to see it tempered by a cautious and more pragmatic approach to Mozambique's economic problems in which Western countries and companies are seen as valued partners.

Power struggles

On the fact of it, it might seem that the President's death could open the way to talks with the rebels and eventual reconciliation. This is unlikely. The MNR has yet to demonstrate that it represents a clear alternative to the existing government. Its policies are vague, and its leadership shadowy. To most observers it appears to be a loose group of armed bands with local rather than national loyalties, living off the land, and receiving arms and other support from South Africa and elsewhere.

As for the regional implications, President Machel was a key member of the group of six front line states which advocate tougher sanctions against South Africa and which seek to reduce their own trade and transport links with the Republic, by making greater use of alternative routes notably through Mozambique itself and Angola.

There is a serious risk that in the coming months Pretoria may take advantage of Mozambique's predicament by increasing assistance to the rebels in the hope of creating a client state. The implications of such a move would go beyond Mozambique for such a strategy already threatens the government of Angola, and other front line states, such as Zimbabwe and Zambia, which could in time prove vulnerable. Western governments, while reassuring Mozambique's new leaders of their support, should also be making clear to South Africa the risk of such dangerous manoeuvres.



EUREKA: French-inspired initiative launched last year. Originally proposed as a joint European programme to strengthen military technologies, is now intended to foster collaboration between European companies on commercial products with clear market applications.

Sponsors are the 12 EEC governments, the Brussels Commission and seven other European countries. More than 70 projects approved so far and 45 more to be considered by ministerial meeting in Stockholm in December. Eureka has no central fund but governments have promised up to $1.5bn in national support for projects already agreed.

RACE: Intended to lay the groundwork for a new generation of optical fibre broadband communications systems expected to come into service throughout Europe during the 1990s. Aim is to achieve common standards and help European manufacturers gain a lead in advanced telecommunications products.

Initial one-year "definition" phase launched in January at a cost of about Ecu 50m, split between EEC Commission, manufacturers and national telecommunications authorities. Commission is seeking Ecu 800m in support for a second five-year phase to develop technologies and specifications and to test prototype systems.

ESPRIT: Launched by the EEC in 1983 to encourage collaboration between companies, universities and research institutes in different Community countries on a wide variety of aspects of information technology. Involves joint "pre-competitive" research and is not intended directly to generate commercial products.

All the Ecu 750m in EEC support for Esprit, covering up to half the costs of the exercise, has now been committed to about 200 projects involving some 2,000 people. Participants include some US concerns, such as IBM and ITT, as well as leading European electronics companies. The EEC Commission is seeking about Ecu 2bn for a second phase of Esprit to run from 1987 to 1991.

TECHNOLOGICAL COLLABORATION

Now for the hard part in the struggle to compete

By Guy de Jonquieres, International Business Editor

FEW contemporary notions have gripped the collective imagination of European politicians and businessmen more powerfully than faith in industrial collaboration as the cure to Europe's lagging technological competitiveness.

The past few years have seen a spate of government-backed initiatives to stimulate joint research and development (R&D) between European companies. The EEC is sponsoring a bevy of schemes, headed by the Esprit programme in information technology, while the more loosely defined Eureka project launched by France last year has attracted support from 19 European governments.

That Europe could agree on such actions at all has given rise to much self-congratulation in Brussels and other national capitals. But now that the first flush of euphoria is fading, governments and companies are having to face some hard questions about what to do for an encore.

As Mr Geoffrey Pattie, the UK Minister for Information Technology, put it at a recent meeting in Brussels: "Simply using our limited resources to buy another dose of a previous medicine may well not be tha right strategy if the previous medicine has done its job."

Today, a meeting of EEC research ministers in Luxembourg chaired by Mr Pattie will make a first stab at writing a fresh prescription. On the table are outline proposals from the European Commission to spend Ecu 7.7bn (£5.5bn) on R&D support in the next five years, up from Ecu 3.7bn in the past four years.

Though the proposals amount to a mere 5 per cent of the EEC budget and have already heen trimmed from Ecu 10.5bn, they have revealed clear divisions between the 12. The southern European countries, many of which value EEC programmes as a way to plug gaps in their national research efforts, broadly support the Commission's position.

But Britain, France and West Germany, the biggest contributors to the EEC budget, are urging financial restraint and stringent selection to ensure that the projects supported genuinely break new ground.

Esprit and most other EEC measures so far have been aimed at stimulating collaboration on "pre-competitive" research, a grey area which stops short of product development.

The first flush of euphoria is fading

ment. None of the more than 200 Esprit projects has yet yielded any dramatic innovative breakthroughs, though practical progress is claimed in some areas such as developing complex tools for writing computer software.

Esprit's most important contribution has, rather, been psychological. With the encouragement of Ecu 750m in EEC support, covering up to half their joint project costs, European electronics companies have begun to shed some of the isolationist attitudes which have long inhibited them from dealing directly with each other as partners, suppliers or competitors.

"Esprit has played a fundamental role in getting people to meet and understand each other better," says Dr Bruno Lamborghini, director of economic research at Olivetti, the Italian electronics group. According to Mr Jacques Stern, chairman of Bull, the French computer group: "Collaboration has produced quite a remarkable change. Instead of thinking only in national terms, we now realise thera is a European dimension to our problems."

Many companies say the programme has caused them to orient their own research more effectively by exposing them to new ideas and enabling them to identify complementary strengths and weaknesses.

It has also encouraged a climate of bilateral co-operation. In the last few years, Bull, ICL of Britain and Siemens of West Germany have set up a joint centre to work on advanced computer software; Siemens and the Dutch Philips group have combined in a $1bn microchip technology project; and Bull and Olivetti have linked up to make banking terminals.

A further side benefit has been to rally industry-wide support behind plans for common standards for computer communications networks. Many electronics companies are pinning their hopes on such standards to create a unified European market and to help them challenge the commercial power of IBM of the US, the world's largest computer supplier.

Exactly what the next step should be is still far from clear. Due to a complex institutional wrangle, the EEC Commission has so far made detailed proposals for only one joint programme, Race, an Ecu 800m effort to lay the basis for Europe-wide broadband communications networks in the 1990s. The Commission's deliberate vagueness about the rest of the package, to be debated today, recently led one EEC government official to criticise it as "a mixture of a wish list and a lucky dip."

Nonetheless, the Commission appears to be responding to insistent demands from industry to extend collaboration further downstream. Among the proposals for Esprit, for which more than Ecu 2bn in new funding is sought, are 28 projects, aimed at harnessing

The proposals before the EEC ministers reveal deep divisions between the twelve

technology to specific product goals such as a family of supercomputers, voice-activated computer terminals and advanced workstations.

"The reality is that many of these projects would mean moving into joint product development," says Dr Michael Wetson, technical director of ICL, one of the European electronics companies which has helped the Commission draw up its plans.

Bot such a move faces several hurdles. Both the West German and British governments are unhappy about the principle of subsidising straightforward commercial collaboretion, arguing that EEC programmes should focus more on broad measures to strengthen Europe's technological infrastructure.

There are also questions of competition policy. Until now, these have been dealt with by requiring Esprit participants to disseminate freely the results of collaboration. But this could be more of a problem if the EEC were to sponsor joint projects intended to generate saleable products.

In theory, Eureka should help to bridge the gap. First conceived by France as a riposte to the US Strategic Defence Initiative, it has metamorphosed into an attempt to engineer link-ups on product development between companies in different European countries. So far, 72 joint projects have been blessed by participating governments, with 45 more in the pipeline.

In practice, however, its role is proving harder to define. The Eureka seal of approval confers no tangible commercial advantages or automatic financial support. The programme has no central fund and financing it is a matter for bilateral negotiation between companies and their national governments.

The mix of projects approved so far is so eclectic as to defy easy categorisation. With time spans varying from two to 10 years, they range from production of sunflower seeds and diagnosis of sexually transmitted diseases to work on automated car navigation systems and microelectronics which partly overlaps with existing EEC programmes.

Though some big electronics companies co-operating in Esprit are also involved in Eureka, many are openly sceptical. "Eureka is a politicians' invention," says Dr Jens Moritz, Siemens' deputy research director. "It's a grand idea, but it won't have much impact unless its form and objectives ara specified far more clearly," adds Mr Stern of Bull.

However, some smaller firms are more enthusiastic. They hope Eureka will offer opportunities denied them in Esprit, the direction of which is heavily influenced by Europe's dozen or so largest electronics companies which have cornered three quarters of the available funds.

Eureka also seems to be better received by industries such as new materials, where development work already requires close co-operation with customers. Pechiney, the French metals group, says that thanks to Eureka it has begun to look beyond its usual circle of industrial partners in France and has taken the lead in two development projects involving German and Italian companies.

A more cynical explanation of Esprit members' doubts about Eureka is that there is simply less money in it. Companies insist they need support to cover the added costs of intra-European collaboration—as much as 25 per cent in Esprit projects—and to match the assistance which many of their US competitors are getting, notably from the Pentagon.

Such arguments seem to suggest, though, that companies have still to be convinced that the commercial rewards of collaboration outweigh the extra effort required. Some experts also question whether European technology companies yet have the management organisation needed to move beyond joint research.

"It has been widely assumed that co-operation will get better results. But it also has to be very skilfully managed," says Dr Gordon Edge, an authority on industrial innovation. He argues that Europe's competitors in the US and Japan have often gained the lead not because of superior research but because they were better equipped to apply technology to products.

Philips' experience seems to bear this out. Mr Willem Ledeboer, who handles its EEC technical liaison, says the company's line managers have so far showed little interest in Esprit research, and ways wil have to be found to involve them more fully if the programme moves closer to joint product development.

Implicitly, industrial collaboration is closely linked in the minds of many policymakers with the process of removing internal EEC trade barriers. Behind both Esprit and Eureka lies a vision of European companies joining forces, first to attack a single European market and then setting out to do battle around the globe.

However, apart from the fact that some major barriers, notably nationalistic procurement policies in telecommunications and defence equipment, are proving remarkably obstinate, some electronics companies are starting to ask whether even a genuinely open European market will offer vigorous enough demand to be an effective international springboard.

ICL points out that there are few European industrial customers big enough to provide the concentrated market "pull" which companies such as General Motors exert on suppliers in the US. ICL wants European governments to fulfil that role by using their procurement procedures more directly to stimulate the market for technologically advanced products.

Pressures to stimulate market demand

Bull would go still further. Citing the discriminatory provisions of the buy American rules in the US, it is calling for preferential procurement policies in the EEC which would favour European bidders in the award of public contracts.

"Such demands are controversial, however. Some policymakers in Brussels and other national capitals are already suggesting that, rather than seeking more special treatment, Europe's technology industries should be doing more to take comercial advantage of the support they have already received.

"The crunch is coming," says one scientific expert who has been closely involved in European collaborative ventures schemes. "It's up to the companies now to show what they can do by themselves."

Men and Matters

Standard to lose its Barber

As if there was not enough going on at Standard Chartered already in the wake of the Lloyds bid, Lord Barber, "the chairman and former Tory chancellor, announced yesterday that he is to step down next May. But he assures me that it is not a sign that further dramatic developments are on the way.

"I had reached retirement age last year. But I felt I should stay on until the outcome of the bid from Lloyds bank was known," he said.

Standard beat off Lloyd's' £1.3bn offer, of course. But only by inviting in three substantial Oriental shareholders who now sit on the board: Sir Y. K. Pao, Tan Sri Khoo Teck Puat, and Robert Holmes à Court. Lord Barber was keen yesterday to dismiss any suggestion that the new directors have schemes of their own for the bank.

"All this talk of splitting up the bank is nonsense. I knew them all before they came on the board and my relationship with them is excellent. We are getting on with the job of running the bank."

Lord Barber will be succeeded by his deputy, Peter Graham, though he will retain seats on some of Standard Chartered's overseas subsidiaries which have kept him travelling three months of the year.

His departure means that three UK clearers will get new chairmen next spring. The other two are Barclays and Midland.

"Promising young dealer—burnt out by 9.30 of the Stock Exchange rehearsal"

Butler's pots

When Sir Michael Butler, former British ambassador to the EEC, left Brussels last year, he had to transport much of his magnificent collection of Chinese porcelain by car. Freight insurance would otherwise have made a very big hole in his pocket.

Now many of the finest pieces in his collection have been taken back to Brussels and are on public display at the Royal Museum of Art and History.

The story of Butler's passion for Chinese porcelain goes back 30 years to when, faced with a large number of empty shelves in a new London house, he invested in a job lot at Sotheby's.

A green wine jug shaped like a bamboo stem included in the lot sparked his interest in the so-called Transitional Period (1620-83) which had previously been neglected by collectors.

As assiduous and shrewd in his buying as he was in his negotiations with the EEC, Butler built up an unrivalled collection and expertise in the period. He has been much missed in the Belgian and Dutch salesrooms he used to frequent.

He bas, however, left behind another, increasingly knowledgeable enthusiast — his official driver, who on occasion was required to go and bid on Butler's behalf at auctions.

TV hazards

Who do you think has been named as the Spanish counterpart to Duke Hussey, the new chairman of the British Broadcasting Corporation? Could it be a film director, a former tv producer, or an unmarried mother?

The answer is that Pilar Miro, aged 45, who has been appointed to take over as head of Spain's state RTVE broadcasting authority, is all three.

She is also a dedicated friend of the socialist prime minister, Felipe Gonzalez.

The post of RTVE director-general, the top job in Spanish broadcasting, has become the career equivalent in recent years of tying oneself to a railway line.

The outgoing chief, Jose Maria Calvino, a lawyer named by the socialists when they came to power four years ago, became the most frequently pilloried man in all Spain.

He ran into a series of public rows. There was the incident of a female punk group which broke obscenity records on Spanish tv. There was an extraordinary news bulletin-cum-demolition job aimed at the right wing opposition leader Manuel Fraca. There were allegations of one-sided coverage in favour of the Government.

The fact that Calvino managed to restore the state broadcasting system's finances — a £20m profit is expected this year—failed to compensate for his image of partiality.

With Miro in charge, the Spanish Government hopes to make broadcasting less of a political battlefield.

A former head of Spain's institute of cinematography, she is said to have had reservations about taking the job.

Labour views

Coming soon—after the TUC's slim, pocket-sized report on the City yesterday, a blockbusting socialist opus on the subject.

Bryan Gould, Labour spokesman on trade and MP for Dagenham, has spent much of the parliamentary recess bent over e word processor spelling out socialist thinking about the City's future.

Publishers Jonathan Cape commissioned the 70,000-word book a year ago, and hope to get it from Gould by next month. Its working title is Labour and the City. It will explore problems of City regulation raised by Big Bang and the Financial Services Bill and examine the City's economic role.

Bankers and stockbrokers bothered by the prospect of e Labour Government can expect e thoughtful work. Gould, a New Zealand-born Rhodes scholar, was a diplomat and an Oxford law don before turning to politics and economics and becoming Labour's frontbench expert on London's financial community.

His previous book, Socialism and Freedom, was a philosophical volume arguing that socialism aims to promote liberty rather than impose rigid bureaucratic control.

In the running

Labour supporters may soon have more to bet on than whether or when Neil Kinnock will enter 10 Downing Street.

John Golding, formerly a member of Kinnock's staff and MP for Newcastle-under-Lyme—a seat now held by his wife, Llin—has "borrowed" (his word) a racehorse for four years to run for the party.

Golding, now general secretary of the National Communications Union, said yesterday that the horse, called Magic Echo, will run in the red and yellow colours associated with the Newcastle party.

Another reason for Labour to reject proportional representation in favour of the first-past-the-post system?

Observer

Letters to the Editor

Catastrophic probability

From Dr A. Irwin

Sir,—The solution to the probabilistic conundrum raised by Sir Christopher Cockerell in his article (October 8) and the subsequent exchange of correspondence with Mr Robin Hurst (October 13 and October 16) must surely be as follows. If the chance of a nuclear catastrophe per reactor year is one in 30,000 and there are 30,000 reactors in existence, then the overall probability of such a catastrophe per year must be 0.63 (or 63 per cent). Binomial theory thus backs up Sir Christopher's appeal for caution in the development of nuclear power.

Such statements, however, conceal as much as they reveal—*not least because of the likelihood of "common mode" failures where a single design fault is repeated throughout the* reactor population. Even more basically, one must question the practical value of probabalistic logic when (as here) it is stretched to the very limits. Likelihoods of occurrence such as 1 in 30,000 reactor years verge on the ludicrous when they are based on a relatively minuscule amount of operating experience. The logic becomes further open to question when only one catastrophe of the sort under discussion would likely bring the whole programme to an abrupt halt.

The useful limits to probability theory may thus be more significant in this case than the detailed calculations of the technical experts.

(Dr) Alan Irwin.
Department of Science and Technology Policy,
The University,
Manchester.

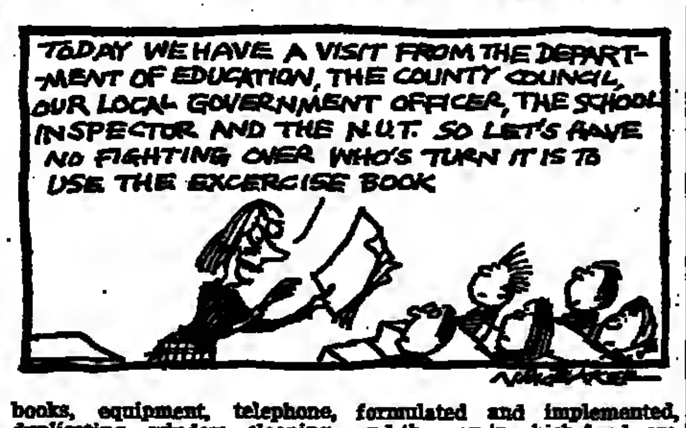
Finance for education

From Mr P. Renard

Sir,—I agree wholeheartedly with the sentiments of your two correspondents (October 14) who said that the main problem with the education system is lack of resources.

From experience I would concur with the fact that the service is being starved of resources by Conservative controlled county councils.

The primary school which my children attend has about £3,800 or £17 per child per year in capitation from Surrey County Council, to cover such items as exercise books, text books, equipment, telephone, duplicating, window cleaning, laundry, etc.



The national average capitation in 1983-84 was £22 per child which itself is inadequate to service the needs of primary schools.

The Secretary of State should not concentrate all his attention on "loony" Labour controlled councils but should also direct his energies towards persuading and enabling counties like Surrey to put more resources into education.

When my children started school 18 months ago, I was amazed to find how little influence parents as representatives of their children's interests had over the way the education system operates.

The management and influence on education is so fragmented between government, civil servants, county councillors, local government officers, governors, inspectors, teaching unions and individual teachers that it would be impossible to design a system so wholly unsuited to running an education service if one tried.

It is virtually impossible to call anybody to account for the manner in which policies are formulated and implemented, and the way in which funds are allocated.

I would encourage the Secretary of State to expedite his plans to place more power and control over resources with parents and teachers on governing bodies at individual schools as the wishes of local communities are not currently being well served by many local education authorities both Labour and Conservative.

Peter E. Renard.
Bentfield House,
Danes Way,
Oxshott,
Leatherhead, Surrey.

Speaking the same language?

From Mr G. Sokolov,
Novosti Press Agency

Sir,—I was surprised by the funereal tone of Robert Mauthner's comment on the results of the Reykjavik meeting (October 13). According to him, the results of the meeting "could hardly have been worse" and a lot of time will pass before the two countries restore the atmosphere of trust.

True, no agreements were signed at the meeting. But no one said they would be. The understanding reached at the talks, however, on a 50 per cent reduction of all three elements of the strategic nuclear triad and on the elimination of medium-range missiles in Europe is no trifle.

The meeting in Reykjavik was a major step forward because agreement was reached on problems which only recently seemed almost insoluble. The sides managed to find more points of contact and that was to a great extent the result of the compromise proposals of the Soviet side.

There is one thing, however, on which I agree with Robert Mauthner. The main problem for the US Administration now will be to convince its allies of the need to continue SDI research and put this programme into practice.

Few people would accept the view that the historic agreements on radical reduction of strategic forces on medium-range nuclear forces, which were reached in Reykjavik, must be sacrificed for the illusory advantages of SDI.

The one sure result of the Reykjavik meeting is that the two great nuclear powers at last began to speak a common language. Yet, there is a need for one more step. And this step will be the most responsible one. To make it one must abandon the illusory policy of ensuring one's own security by harming the security of the other side. Then the next summit meeting in Washington will go down in history.

Gennardy Sokolov.
4 Zubovsky Boulevard,
Moscow.

Sponsorship of science

From Christina Astin.

Sir,—The reports by the Royal Society and the Sussex University Science Policy Research Unit (October 16) point to the UK's relative decline in scientific research. A fundamental problem is the lack of incentives for science students at secondary and tertiary levels of education. As a result, this country is not producing enough good quality science graduates.

While the financial sector continues to offer such attractive employment prospects to young graduates, this situation is likely to get worse rather than better. The fall in the real value of student grants means that in order to attract high quality science graduates into industry, companies will have to offer inducements such as university sponsorships. They are showing few signs of doing so.

The Manpower Services Commission booklet "Sponsorships 1987," lists only seven companies (out of 90) offering sponsorships in physics — the most fundamental of the natural sciences. As long as companies carry on believing they can survive without a strong commitment to research and development, science sixth-formers like me are likely to offer their services elsewhere.

Christina M. Astin.
16a Broadwater Down,
Tunbridge Wells, Kent.

Chittagong hill tracts

From the High Commissioner,
People's Republic of Bangladesh

Sir,—I feel it necessary to clarify your report (October 8) of Amnesty International's *publication on Bangladesh* alleging that "Government forces in Bangladesh have killed or tortured hundreds of unarmed tribal villagers" in the Chittagong hill tracts.

The basic objective of the Government of Bangladesh with regard to this area has been to improve the quality of life of the people and to assist them in their endeavour to accelerate economic development. In addition to normal activities within the framework of the annual development plan, the Government is implementing a special five year plan for this region with a total outlay of nearly US$100m. This expenditure is being undertaken despite the critical situation faced by Bangladesh with respect to availability of resources.

This region, which is covered by primary forests, required the assistance of engineering units from the armed forces to bring about the necessary infrastructural development. The forces have been playing a positive role by participating in development activities besides discharging duties as sentinels of peace and security.

While discharging their duties, members of the forces and other law enforcing agencies have had skirmishes with terrorists belonging to the so-called "Shantibahini" resulting in some human losses. These losses included members of the Bangladesh armed forces. It is these attacks which have led the civilian administration to seek the help of the forces.

The administration is, however, completely in control of the situation.

With a view to developing human resources in this area, the Government has taken steps to facilitate the growth of education, setting up of hospitals, family planning and health clinics.

Earlier this year, in response to a Presidential offer of amnesty a large number of members of the so-called "Shantibahini" have laid down their arms and have since been rehabilitated through the grant of free land and financial assistance.

Allegations of brutality contained in the report are incorrect. Bangladesh believes in the protection of human rights throughout the country and also in the principle of affected persons being able to take recourse to the judicial process and courts of law.

Mir Shawkat Ali
(Lt General, Retd),
28, Queen's Gate, SW7.

Bias in the ballot

From Mr J. Deeley

Sir, — Mr P. Haywood (October 15) highlights what appears to be a bias in favour of female applicants for TSB shares. From my own sample taken of friends, colleagues and relatives who applied through three centres, a much more disturbing picture emerges — a clear bias in favour of single applicants at the expense of family applicants:

Applications	Successful
Family A (five)	None
Family B (five)	None
Family C (four)	One
Family D (three)	All
Seven single	Six

I am led to the conclusion, therefore, that the TSB "ballot" (which was supposed to give everyone a 50 per cent chance of success) was designed in such a way that most children were regarded as stags—with the result that it militated most unfairly against very many families who wished to become part of the people's bank and join the share-owning democracy.

Can the TSB explain the anti-family bias? Or was my sample just another one of possibly hundreds or thousands of "statistical quirks?"

John W. Deeley.
16 Downs Road,
Dunstable, Beds.

The burden of dear money

From Mr M. Aldbrook

Sir,—How heartily I agree with your leader (October 15). The downside of bringing our interest rates in line with those of our main competitors such as West Germany must be negligible given that it is only by doing so that British manufacturers will be able to invest in the new machinery and methods needed to produce consumer goods that will affect the import situation and later in turn to the revitalising of British industry so that the vicious circle we appear once again to be trapped in can be halted and sterling will no longer be perceived as a lack-lustre "petrol" currency.

Mark Aldbrook.
Blanchards,
178 Sloane Street, SW1.

Pledge on rate reform

Sir,—Mr Rifkind says (October 10) that the proposed community charge represents an inherently preferable and fair alternative to the present rating system.

But compare it with a charge on the enormous unearned land values which arise as a result of public works and the presence and work of the people. Land monopoly takes those values and contributes nothing. Indeed, by creating a shortage of available land by holding it out of use for a higher price, it is a source of social ills, including unemployment and high house prices. Further, it penalises labour and capital by taking for nothing an increasing share of the wealth produced.

How can it be said that to burden working people by way of community charge is fair, when publicly-created unearned land values, taken by idle monopolists of a natural resource, remain untouched?

Edgar Buck.
115 Cyncoed Road, Cardiff.

Training for management—workplace attitudes

From the Director, Personnel and Administration, Shell UK.

Sir, — Following David Thomas's article (September 12) I wish to amplify my views on this subject, especially since Mr Ernst Verbeek in his letter (September 27) associated my name with views and misconceptions which I do not share.

My concern is with British industry as a whole and I start with the conviction that we need to do all we can to improve its performance. One of many contributory factors to such improvement must be to increase the skills and effectiveness of British managers and supervisors.

The most effective means of achieving this is to encourage more people of good calibre to enter industry; and for employing companies to structure their jobs and plan their careers development so that at each stage managers have the opportunity to contribute their skills fully and that they have had the appropriate learning experience by the time they reach senior positions.

Education and training must be seen as means of assisting this process, particularly at times of job change and most especially at the critical point in an individual's career—the transition from specialist to general manager. All sources of training may be appropriate and effective. The MBA is only one item in the repertoire.

I have two concerns about the MBA. Business schools have now been in operation for some 20 years but their impact has not been as great as originally hoped. Approximately 1,000 MBAs graduate in the UK each year; we probably need ten times that number if we are to be comparable with competitor countries. Such an increased supply cannot, and should not, be produced by full-time courses at business schools. Other means, such as in-house MBAs and distance-learning, are required in order to increase supply nearer to the desired level.

Paradoxically my other concern about MBAs is the lack of UK demand. Some business schools are at less than full capacity and many have to rely on (very welcome) candidates from overseas in order to fill their courses. Partly this arises from the current structure of MBAs which requires considerable absence from work, whether on a full- or part-time basis.

The central problem, however, is the attitude of employers and employees, to training and management education in general. Many large companies put a lot of resources into training their employees in all levels of skill but the success and future performance of this country will depend less and less on the major companies. The effort among the myriad of companies that make up British industry is far from satisfactory. Too many employers believe that only experience is necessary and that training and education have no role to play. Employees take their cue from this and training has no value to them as individuals unless it produces a recognised qualification which is transferable and of value on the market.

One step towards changing this attitude would be to pull together all sources of training into an ascending ladder of qualification which would perhaps culminate in the award of an MBA from institutions of standing. The credit accumulation and transfer scheme (CATS) recently established by the Council for National Academic Awards provides a very useful model for the evaluation of various forms of training and education which could be undertaken throughout a career and could accumulate to the appropriate qualifications despite job changes within and between companies.

Heaven protect us from the idea that the possession of a qualification itself creates a manager. We can all produce a list of highly successful leaders of industry who never had a single qualification to their name. These are the outstanding exceptions and thank God for them!

Those of us who are concerned with this subject must put on our thinking caps now and begin to develop creative ideas; the luxury of lengthy debate is not given to us. Action is required with the utmost urgency.

B. J. Bowden.
Shell-Mex House,
Strand WC2.

BELGIUM'S LANGUAGE DISPUTE

Tongues of fire, again

By Tim Dickson in Brussels

ABSURD! Unbelievable! Village politics! Such were the contemptuous headlines in Belgian newspapers last week as the Government teetered on the brink of collapse over a self-important francophone mayor who refuses to speak Flemish.

"We are making ourselves a laughing-stock in the eyes of the world," complained Vice Premier Jean Gol shortly after the Prime Minister, Mr Wilfried Martens, tendered his resignation.

Bizarre as it may seem for a coalition which has successfully negotiated far-reaching public expenditure cuts to stumble over an apparently minor linguistic dispute, the so-called "Happart affair" which precipitated the crisis, is a symptom of the country's deep-rooted cultural divisions.

Casual visitors to Brussels can easily overlook the irony that Europe's unofficial capital lies in the middle of two fiercely independent communities — Flanders to the north where Flemish, a dialect of Dutch, is spoken and the French-speaking region of Wallonia to the south. (There is also a small German-speaking area on the eastern border.)

The rivalry between Flanders and Wallonia dates back long before 1830, when the Belgian state came into being, to the days of the Roman Empire. But if anything it became more intense in the 1960s and 1970s when the basis was laid for the country's somewhat tortuous system of semi-federal government. The constitutional reforms of 1980 were the culmination of this process, devolving some powers to regional councils, continuing the existing powers of provinces and communes but leaving responsibility for most economic decision-making (notably revenue-raising and distribution) with the central government in Brussels.

It is one of the achievements of the various Centre-Right coalitions which Mr Martens has led since 1979 that the emotionally charged linguistic issue largely has been kept to the back of the stage. The latest row not only threatens the Government's efforts to cut back ballooning public debt to a realistic proportion of GDP, it is an ugly reminder to Belgians that they still lack a common identity and that the current political system still fails to satisfy many of their aspirations.

At face value the linguistic squabble appears ridiculous. The problem dates back to the early 1960s, when Les Fourons, as the French call it, or Voeren as the Flemish say—either way it is a commune of just 4,500 people close to the Dutch border at Maastricht—was transferred from French-speaking Liége to Flemish-speaking province of Limburg. The switch was part of a negotiated revision of Belgium's linguistic frontier, but has long been resented by the local population, two-thirds of whom prefer to speak French.

The champion of their cause did not fully burst onto the scene until 1982, when the democratically elected mayor, Mr José Happart refused to take a Flemish language test to prove his fitness for the job. By doing so he appeared to be challenging a basic tenet of the constitution and in the process, of course, infuriated his Flemish opponents. It was not until late September, that the quasi-judicial Council of State finally delivered its judgment—annulling Mr Happart's election—and thus exposing divisions within the Flemish and French-speaking Christian Democrat parties which, with the two Liberal parties, make up the present coalition.

If Paris was once worth a mass (for Henry of Nawarre) why are Les Fourons (or Voeren) not worth a simple language lesson? (Even this, incidentally, would hardly be necessary since Mr Happart's Flemish is known to be perfectly adequate to carry out his mayoral duties—he just refuses to acknowledge it.)

Divided loyalties, as seen by the Belgian newspaper De Morgen

The truth is that Mr Happart is an important symbol for those, notably the Socialist Party and Socialist trade unions in the region, who want more political and economic autonomy for Wallonia. Interestingly, the position today is the reverse of the situation in the 19th and early 20th centuries when the Flemish population—poor and predominantly rural—was fighting for its cultural survival in a country which one commentator has described as "created for and by the francophone bourgeoisie."

Gradually, however, economic and political power has shifted to Flanders. Its ultimately successful fight for linguistic freedom was accompanied by greater economic prosperity, a trend which in recent years has been accentuated by the contrasting industrial structures between north and south. Large-scale redundancies at ACEC, the once great electrical engineering concern, and at Cockerill Sambre, the giant steel complex, have recently drawn attention to the existence of traditional heavy industries in the south.

Whereas Flemish nationalism has generally been cultural, Walloon nationalists have sought greater autonomy primarily as a means of tackling their economic difficulties. The extremists fundamentally distrust a government which in theory has equal representation for both camps but whose top posts (the Prime Minister, Foreign Minister and Finance Minister, for example are mostly held by members of the Flemish community.

One outlet for this frustration has been the "Return to Liege" Group in Les Fourons spearheaded by Happart—but doomed to failure under the present constitution since any changes to the linguistic frontier require a two-thirds majority in parliament, and an overall majority on both sides of the linguistic divide in the assembly.

Moreover, because of the complexities of the Belgian constitution, the present parliament has no authority to make changes which would take the country further down the road to devolution. If the current Government runs its course, this cannot happen until 1989 at the earliest.

Closely linked to the question of regional autonomy is the issue of how to share out the national cake—adding a particularly explosive dimension to the entrenched battle over language and culture. The Flemish parties argue that the current system clearly favours the French-speakers who, with an estimated 42 per cent of the population receive around 48 per cent of central Government funds and (as the Flemish believe) a more generous share of public procurement contracts. Flemish eagerness to re-negotiate this arrangement is increasingly keen, but what politicians and commentators in the North say unequivocally is that those who want "greater political autonomy in the South must also accept greater financial autonomy"—in other words something more like the 58/42 split implied by the distribution of the population.

The question is whether Wallonia could afford to take the financial consequences of further devolution or whether (as local politicians like the President of the Walloon Council Melchior Wathelet believe) it is shrewder to wait until the region's economic health picks up.

Further autonomy for the two main regions of Belgium seems ultimately inevitable — the questions are when, and whether, the logical consequence of further reform may not one day be complete separation.

As Belgians roared through the streets of Brussels this summer proclaiming the astonishing World Cup achievements of their football team, such a question would have been unthinkable. The last few weeks have revived the doubts.

FINANCIAL TIMES
Tuesday October 21 1986

INTERIOR MINISTERS PLAN JOINT ACTION AGAINST TERRORISM AND DRUGS

EEC to tighten immigration rules

BY ROBERT MAUTHNER, DIPLOMATIC CORRESPONDENT, IN LONDON

INTERIOR ministers from the 12 European Community countries agreed yesterday on a series of joint steps to strengthen immigration controls aimed at combating terrorism and illicit drug trafficking.

After a one-day meeting in London, Mr Douglas Hurd, the Home Secretary, said the immigration measures had been designed to protect the Community at its external frontiers, while at the same time facilitating travel within the Community for the citizens of the member states.

The ministers agreed to set up a high level working group to study urgently ways of strengthening checks at external Community frontiers and the contribution which internal checks could make.

The working group, which is expected to present its first progress report to ministers at their next meeting in London in December, will consider the following measures in addition to stronger external frontier and internal checks:

● The co-ordination and possible harmonisation of visa policies;

● The role and effectiveness of frontier controls at internal Community frontiers in the fight against terrorism, drugs, crime and illegal immigration;

● Close co-operation between member states to avoid the abuse of passports;

● Measures to achieve a common policy to eliminate the abuse of the right of asylum;

● Examination of ways in which the convenience of Community travellers can be improved without adding to the terrorist threat or the risks of illegal immigration, drug trafficking and other crimes.

The ministers also agreed that the Community and its member states had a major role to play in stepping up the fight against drug abuse and adopted a plan covering the following measures:

● Steps to reduce demand for drugs especially among young people. Mr Hurd gave as an example the British Government's advertising campaign to dissuade young people from using drugs;

● Measures to improve the treatment of addicts and rehabilitation services;

● Bilateral and Community aid to help member countries combat drug abuse;

● Steps to ensure that legislation takes account of the need to maintain effective control over illicit drug trafficking, particularly at the Community's external frontiers;

● Mutual enforcement of confiscation orders relating to drug traffickers' assets;

● Enhanced co-operation between law enforcement agencies through an exchange of drugs liaison officers between member states and the posting of such officers to other countries.

Paris to alter rules for money markets

By Paul Betts in Paris

BANQUE de France is to launch a more flexible system of daily intervention in the domestic money markets as part of the wide-ranging reform of French monetary policy.

The reform is to be launched in December. It is designed to change the French system of monetary policy based on the control of credit through credit ceilings or the so-called "encadrement du crédit" – by a more market orientated system based on interest rate intervention and a wider use of reserve requirements on commercial bank lending.

The changes reflect the gradual deregulation of French financial markets during the past two years and the decision of the French authorities to do away with all quantitative controls on credit from the beginning of next year replacing it with a market orientated system based on interest rates.

The new system in many ways is similar to the US Federal Reserve practice of conducting monetary policy by intervening on the Federal Funds market to drain or inject liquidities in the money markets.

As a preliminary move to the ending of quantitative credit controls, Banque de France has decided to set up a system of daily money market intervention from the beginning of next month. The main change in the system is the abolition of the current system of fixing a daily reference rate in the morning in the interbank or main French short-term money market.

Mr Philipp Lagayette, deputy governor of the Banque de France, explained yesterday that the daily morning fixing by the various participants in the interbank market will be replaced as from the beginning of December by an average daily market rate calculated by the Banque de France at the end of the day and published the next morning at around 11 am.

This, he argued, would give the interbank market, whose daily transactions currently total between FFr 150bn–FFr 200bn ($23bn–$31bn) a more market orientated approach comparable to a Fed Funds market in the US or the foreign exchange markets.

This market is likely to fluctuate more than in the past with rates changing in a range of about 1 per cent without necessarily any intervention by the central bank. At the same time the central bank will have greater flexibility to intervene in the daily market to signal a policy change or confirm its monetary stance by draining or injecting liquidities.

The actual mechanisms and timetable of the central bank's system of intervention is also being amended. The bank will now announce on a given day at 9 am the amount of first class government or private paper it is prepared to buy. The main market operators will make their offers by 11 am at the latest. These offers will then be processed from 11.30 am onwards.

Chirac wages policy sparks call for warning strike

BY DAVID HOUSEGO IN PARIS

FRENCH trades unions have called out more than 4m public employees on strike today as a warning gesture to the government of Mr Jacques Chirac over issues of pay and employment.

The strike is expected to be widely followed, causing disruption to schools, rail, bus and Metro traffic, air services, electricity and gas supplies, postal deliveries and radio and television programmes.

It is the first major strike since Mr Chirac took over as Prime Minister in April and is unusual in that all the major unions have decided to take part. But reflecting the continuing disunity within the French union movement, the different unions from the Communist-led CGT, the pro-Socialist CFDT to the teachers FEN union have all decided to organise separate marches.

The immediate issue behind the strike is the Government's intention – as reflected in the 1987 budget now before the National Assembly – to withhold from public employees any salary increase in real terms next year. At the same time the Government is cutting 19,000 posts in the civil service – thus reducing the number of jobs available.

Mr André Bergeron, the head of the centrist Force Ouvriere union, claimed yesterday that the real purchasing power of public employees' pay had been cut by 6-7 per cent since 1983.

Behind these immediate issues are the fears of public employees – and above all railwaymen and teachers – that the reforming zeal of the new Government could lead it to call into question some of the much treasured privileges that the public sector has acquired over the year.

None the less an opinion poll published yesterday indicated that 54 per cent of public employees polled were against the strike and only 39 per cent approved of it.

The poll seems to confirm the belief of political observers that the strike does not mark the end of France's long period of labour calm. Figures issued last week confirmed that the number of strikes in 1985 was at a record low, in part depressed by the continuing high level of unemployment.

But it does suggest that, if inflation should pick up later this year or early next and there were continued heavy job losses in industry, the Government could find itself with more labour trouble on its hands.

EEC ministers put off decision on steel production quotas

BY QUENTIN PEEL IN LUXEMBOURG

EEC industry ministers yesterday postponed any decision on liberalising the current steel manufacturing cartel in the Community, to allow the industry time to make its own proposals for voluntary restructuring.

An assessment of the plans of the major steel makers to agree on voluntary capacity cuts, put forward in outline last week in Luxembourg, will now be made by the Commission in a month's time, before the member states try again to settle their differences on the necessary reforms.

There were wide gaps between the 12 member states yesterday on the proposals put forward by the Commission to abandon the system of fixed prices and production quotas for four more products – galvanised sheet, wire rod, merchant bars and light sections. This would reduce from 65 to 45 per cent the proportion of total production subject to control.

Both West Germany and France argued strongly that no decision should be taken until the ideas floated by Eurofer, the organisation of the major integrated steel producers, had been taken into account.

The European Commission, backed by the Netherlands and Denmark, showed considerable scepticism about the ability of the industry to agree large enough capacity cuts – given an estimated excess hot-rolled capacity in the industry of more than 20m tonnes.

The ministers did manage to agree in general "on the need to continue the process of liberalisation, taking account of market conditions among other factors," according to Mr Giles Shaw, the British Minister of State for Industry and chairman of the council.

They could have reached a majority decision on liberalising one of the four product quotas – that for galvanised sheet.

The ministers endorsed the Commission's determination to police the payment of state subsidies to steel producers more strictly and in particular to try to prevent payment of subsidies for products outside the scope of the European Coal and Steel Community, such as pipe-making and wire-drawing.

UK rejects plea to join EMS

Continued from Page 1

avoided through EMS membership is shared by Mr Robin Leigh-Pemberton, Governor of the Bank of England, and by a number of other senior Cabinet members.

Mrs Thatcher, however, is believed to be seriously concerned about the political risks of tying sterling to the D-Mark in the run-up to an election.

The clear message from Downing Street last night was that the latest pressure on sterling would not change Mrs Thatcher's mind and that the recent uncertainty in financial markets was merely the latest in a series of difficult situations with which the Government would cope.

West German officials have denied recent reports that the Bundesbank has said that it would stop co-operating with the Bank of England to defend sterling unless the UK changed its mind on EMS membership. They have, however, made the point that sterling would automatically benefit from much greater support from other central banks were it in the EMS.

On the foreign exchange markets yesterday both sterling and the dollar had a quiet day.

UK unemployment unlikely to fall

Continued from Page 1

findings by emphasising that it was unlikely for an exercise at winning more EEC funds to go out of its way to paint a trouble-free picture. Even so the report outlines a bleak scenario for economic prospects in many UK regions, suggesting that unrelieved levels of high unemployment would remain, unless there was increased public and private expenditure on a range of environmental and social services.

Mr Brown said the jobless picture contained in the report represented a grim admission that the country was divided into two separate economies. The reports' findings, he said, showed that prospects for reducing unemployment in the regions ranged from "gloomy" to "frighteningly bleak." The 17 volume document represented "the private confessions of failed monetarists who have been forced to tell Europe what they have been disguising from the British public."

Gains for opposition in Greek municipal elections

By Andriana Ierodiaconou in Athens

GREECE'S Conservative opposition made a dramatic political recovery in run-off municipal elections at the weekend. It seized control of the three most important cities, Athens, Piraeus and Salonika, from the ruling Socialists and expanded its influence in the provinces.

In the capital Athens, Mr Miltiades Evert, the conservative New Democracy Party (ND) candidate, dislodged the incumbent mayor, who was backed by the governing Socialist Party (Pasok), with 54.79 per cent of the vote against 45.21 per cent. In Salonika, Mr Sotiris Kouvelas defeated the Socialist incumbent with 52.13 per cent against 47.87 per cent. In Piraeus Mr Andreas Andrianopoulos won a close race against the outgoing Socialist mayor with 50.86 per cent of the poll against 49.14 per cent. All three ND mayors hold seats in parliament, which they must give up before starting in their new jobs.

Results from 295 municipalities out of a total of 303 nationwide showed 148 remaining under Socialist control, 79 to the Conservatives, 52 to the pro-Moscow Communist party (KKE), three to the small Euro-Communist Party (KK-es) and 13 to independents.

The Socialists lost about 19 municipalities, while the conservatives gained approximately 30 municipalities and the KK-es nine.

Taken together with the results of the first round of voting a week earlier, yesterday's figures indicate a sharp drop in the Socialists' popularity in both the towns and the countryside since the general election in June 1985 which Pasok won for the second time running with 46 per cent of the vote.

The Government imposed an economic austerity policy, including a virtual freeze on wages and salaries, immediately after the 1985 election, which alienated both moderate and far left supporters. In addition the left wing of the party has been looking askance at the Government's efforts over the past year to improve relations with the US.

ND's victory in Salonika and Piraeus indicated that a large number of KKE and Euro communist voters, who had been instructed to support Socialists against Conservative candidates, had failed to toe the party line, mostly preferring to resolve the dilemma by casting blank or invalid votes. The Communists held the deciding votes between Conservative and Socialist opponents in the three main cities after the first round of the municipal elections.

The KK-es took the unusual step of directing voters not to back the Socialists in Athens after the Government refused to grant a KKE demand, put forward between the two rounds of voting, for a reform of the Greek electoral system. The communists want the elimination of existing bias against smaller parties in the distribution of parliamentary seats in general elections.

Aquino coalition faces threat

Continued from Page 1

A change in Government policy toward the insurgency, however, became less likely as ceasefire negotiations with the communist New People's Army (NPA) resumed on Saturday.

Mr Enrile has charged that the NPA was dragging out ceasefire negotiations in order to gain political advantage.

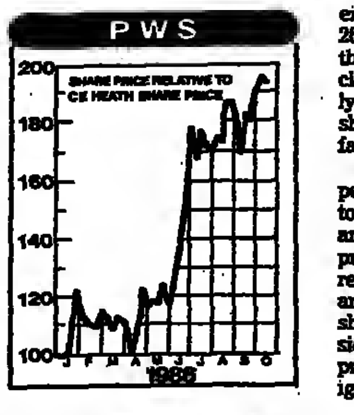
Lionel Barber in Washington writes: US officials yesterday stressed Washington's "strong and unequivocal support" for Mrs Aquino and said it was braced for the departure of Mr Enrile.

The US is keeping a watching brief on what it describes as an internecine political struggle within President Aquino's Government.

THE LEX COLUMN

Tramping over the Heath

For all the efforts to control traffic around the Minories, there was so much reversing going on that one of the slower and less manoeuvrable vehicles was sure to be caught in a crunch. As it turns out, the victim is C. E. Heath. Having grown its earnings this decade solely through an appreciating dollar and investment income on its underwriting business, Heath has had to face the nationalisation of its chief workers' compensation business in Australia and a loss of US broking personnel and clients. Heath's share price has fallen in the past 12 months from over £7 to a low of just over £4 at the end of September.



Heath's solution was an agreed takeover of Fielding Insurance, a subsidiary of Hambros, on terms uncertain but likely to involve the ceding of management control and, probably, dilution of its remaining earnings. However, the City of London has now been offered a choice of new management from PWS, with an all-paper offer yesterday valuing Heath at 572p a share, or £184m, after a 15p drop in PWS' share price to 335p.

Without the Heath/Hambros terms, the City has precious little to go on, although Heath's share price clambered up 79p to 559p yesterday. PWS itself is the result of a reverse takeover in April by the family business of Mr Ronnie Ben-Zur, which sported brokerage income of under £5m in its last full year as the Howard Group against £36m at Heath.

PWS has saved itself the expense of underwriting a cash alternative – which might have wiped out half its net worth – opting instead for a fancy high-coupon convertible preferred share to preserve the dividend yield for Heath shareholders. The record of the Howard Group is undoubtedly impressive, but Mr Ben-Zur's half-year at PWS is scarcely cast-iron promise that Heath can be rescued from the problems in its US brokerage operations, a Bermuda lawsuit and the run-off of the Australian insurance business.

Hanging together

An appeal against sentence from AE would seem the most natural thing in the world. If the sophisticated Hill Samuel made a mistake in failing to declare that it had arranged to indemnify its friends for the losses involved in supporting AE, it would be a little harsh for AE to pay the consequence of submitting to a revived offer from Sir Francis Tombs. Punishing the innocents is not supposed to be part of self-regulation. To argue this would, however, risk throwing out the last vestige of the Panel's regulatory sanction.

The position on indemnification is already tangled, and the notion that allies can be hired on a risk-exempt basis implies that losing a takeover defence should become unnecessary for the properly advised. Yet to defend by artificially taking shares off the market is not obviously more fair than shorting the market in order unnaturally to swell a total of acceptances.

If AE's advisers were humbled, but AE nevertheless got away, that would not be much of a deterrent to imitators. There is a risk that willingness to take the rap might become one more service offered to the corporate client – especially if the indemnities are ultimately reclaimable from the client, one way or another.

McCorquodale

Norton Opax would like McCorquodale shareholders to consider tomorrow as the final closing date in its £150m bid for their company. But if Norton fails to reach 50 per cent this time it could, for the price of the underwriting, extend for a few more weeks.

So McCorquodale investors may not feel the usual urgency to decide, especially now that Mr Robert Maxwell has a 10.4 per cent stake in McCorquodale. His motives are difficult to discern, though the size of his holding puts him in a position to influence the outcome.

Nor have shareholders been presented with an overwhelming case either for or against the bid. The 280p cash alternative, well below the 296p share offer at yesterday's closing price, does not look especially generous, and McCorquodale's shares may not fall far if the bid fails.

McCorquodale's management is perhaps not as dynamic as Norton's, but it has been given a fright and investing in bid escapees often proves profitable. McCorquodale's record is no worse than mediocre, and after recent heavy investment should improve. The 10-year pension fund holiday adding £2.5m to profits a year last for too long to be ignored.

The merits of putting the two companies together do not seem quite so obvious as the two-plus-two equals six or seven that Norton suggests. It looks more like Norton trying to take advantage of McCorquodale which is there than Norton which is not. McCorquodale deserves the benefit of the doubt.

Institutional flows

The investment preferences of UK institutions have developed in two apparently opposite directions over the last few years. That old standby, the mortgage loan, has become even more popular; five years ago, building society inflows exceeded the total of loans for house purchase by some £200m, but in the second quarter of 1986 non-bank mortgages outran building society deposits by over £2bn. Home's best, it appears.

Yet there has been an equally remarkable shift into overseas corporate securities. Though the purchase of overseas equities was running at what seemed a very high level in the early 1980s, in the past few quarters institutions have been buying overseas equities as if exchange controls were just around the corner. More surprising, perhaps, is the novel devotion to foreign corporate bonds, warrants and suchlike novelties, now 16 per cent of total cash flow. The pattern is no doubt distorted by the inclusion of securities dealing inventory after 1984, but it is still a thought that the institutions may be stocking up with instruments to be converted into huge heaps of foreign equities on election day.

World Weather

Machel death leads to power vacuum

Continued from Page 1

Joaquim Alberto Chissano, Foreign Minister, who returned yesterday from a visit to the US, Mr Alberto Chipande, Defence Minister, or even, given the importance of the war against the MNR, Gen Sebastiao Mabote, the Military Chief of Staff.

First news of the disaster was revealed by Mr Pik Botha, the South African Foreign Minister, who hastened to the scene of the crash accompanied by Gen Johan Coetzee, the South African Chief of Police. Mr Botha refused to comment on the cause of the crash.

In Washington, US officials expressed shock at Mr Machel's death. One official who asked not to be identified said it would have enormous implications for southern Africa.

A British Foreign Office spokesman expressed sympathy over the death. He said: "President Machel was not only the architect of his country's independence, he also strove ceaselessly to bring peace to his own country and to the whole region of southern Africa."

The aircraft is believed to have strayed off its direct flight line from Lusaka to Maputo. It should not have taken the route over the mountainous border area but flown straight into Maputo airport.

● Mozambican right-wing rebels said yesterday they would step up their military offensive following the death of President Machel, Reuter reports from Lisbon.

"Our offensive will be increased and the struggle will go on until the liberation of our country," a spokesman for the Mozambican National Resistance said in Lisbon.

"The death of Machel will not affect our struggle as the same people responsible for the repression are still in power in Maputo. There are no prospects for dialogue," said spokesman Paulo Oliveira.

The MNR said it knew nothing of the circumstances of the air crash.

Diplomats and rebel sources said the statement showed that the MNR planned to use President Machel's death as an opportunity to go for a military victory rather than to press for peace talks.

SECTION II – COMPANIES AND MARKETS
FINANCIAL TIMES
Tuesday October 21 1986

Buoyant ITT sets date for venture with CGE

BY TERRY DODSWORTH IN NEW YORK

ITT CHAIRMAN, Mr Rand Araskog, took the opportunity of a sparkling set of third-quarter figures yesterday to give an optimistic assessment of the US group's negotiations on the planned merger of its telecommunications interests with CGE of France.

In a report given additional emphasis by a visit to New York of Mr Pierre Suard, chairman of CGE, Mr Araskog said that the two parties were "on schedule to complete the transaction by year-end." According to ITT, the aim is to sign the joint venture deal some time in December, when the US company will receive about $1bn in cash and see a further $1.1bn of debt removed from its balance sheet.

However, neither Mr Araskog's comments nor the hefty jump in third-quarter figures made any impact on the New York Stock Exchange where, in the midst of a gloomy morning session, ITT's shares lost $⅜ to $51⅞. Analysts appear to have been expecting a strong performance from the group this quarter because of the rebound in the insurance sector and the overall strength of the financial sector.

Net income in the third quarter jumped 64 per cent to $126m, or 82 cents a share, against $77m, or 50 cents a share in the same period of last year. The results would have been even stronger without a $19.5m or 13 cents a share write-down on certain investments.

Sales and revenues for the quarter rose to $5.8bn against $4.8bn in 1985, including insurance and finance revenues of $2.4bn and $2bn respectively.

In the first nine months, net income rose to $392m, or $2.57 a share, against $308m, or $2.03 a share in the same period of 1985, while sales and revenues jumped to $17.1bn from $14bn.

The nine months figures included a gain of 30 cents a share from the sale of companies, including the remaining shares in Abbey Life of the UK, but the third-quarter increase in profits was achieved from operating earnings alone. Although the company did not break down the figures yesterday, the recovery in the group's Hartford Insurance subsidiary had a significant impact on the performance, along with buoyant profits from the car and electrical components' division.

Humana loss matches forecast

BY WILLIAM HALL IN NEW YORK

HUMANA, the fast growing US health care and hospital group, which warned earlier this month that it would report heavy losses because of problems on its health insurance operations, yesterday posted a $108m fourth-quarter loss.

The drop, which was in line with *the company's earlier forecast*, includes a fourth-quarter charge of $130.6m to cover expected losses on long-term health insurance contracts, losses on the sale of certain Medfirst primary care clinics and a writedown of a hospital in Mexico City.

The latest figures also include an $8m gain from favourable adjustments of prior year reimbursement issues and the gain on the sale of an investment in a health care-related venture in the second quarter.

Humana, a former Wall Street glamour stock as a result of its rapid earnings growth in recent years, has hit a bumpy patch recently following an ill-timed expansion into the insurance business.

The company had hoped that the provision of relatively cheap medical insurance would provide captive customers for its large hospital chain. However, many of its insurance customers used non-Humana hospitals and the costs of the insurance programme have proved higher than expected.

The company's problems have taken a toll on its share price which yesterday morning fell $½ to $22, a fraction above its year's low point. *Earlier this year the shares were* trading above $33 a share.

For the year to the end of August, Humana earned $54.4m, or 56 cents a share, compared with $216.2m or $2.19 a share in the previous year. The group's revenues rose by a fifth to $3.44bn in the latest financial year.

Finance chief at VW to step down

By Andrew Fisher in Frankfurt

MR ROLF SELOWSKY is to step down as finance director of Volkswagen, the West German motor group, when his contract runs out next summer.

VW did not say why Mr Selowsky, 56, would not continue once his five-year contract is due for renewal. But there has been widespread speculation this year of boardroom disagreements centring on the management plans of Mr Carl Hahn, the chairman.

Mr Selowsky agreed with VW's supervisory board that he should leave the company next year, VW said. He was formerly with Klöckner-Humboldt-Deutz, the engineering company.

VW will name a successor to Mr Selowsky nearer the time of his departure and declined to say whether he was going of his own accord.

But it is believed that Mr Hahn's plans to appoint an 11th board member to exert more control over VW's growing worldwide operations would have conflicted with the finance director's responsibilities.

These plans reportedly caused consternation in the VW board *when they were first put by Mr* Hahn in April.

Volkswagen, which now includes Seat of Spain as well as the Audi subsidiary in Germany, expects this year to sell more vehicles than ever with a further advance in 1987.

This year is turning out to be a record for the West German motor industry, although output is growing at a less rapid rate than in 1985. VW is also spending heavily, with capital expenditure in the first half of 1986 – *excluding Seat – up by 60 per cent to* DM 2.3bn ($1.2bn).

Crédit du Nord slips into the red

BY PAUL BETTS IN PARIS

CRÉDIT DU NORD, one of the major French retail banks nationalised in 1982 and in which the Paribas financial group holds a 51 per cent stake, has reported a loss of FFr 241.5m ($37.4m) for the first half of this year compared with a profit of FFr 65.7m in the same period last year.

The bank has warned that its losses for the whole of this year are expected to total FFr 400m after provisions of FFr 200m. Crédit du Nord last year reported a consolidated net profit of FFr 91.5m.

However, the bank expects that its restructuring plan and fresh capital injections will enable it to return to the black in 1987. Mr Bruno de Maulde, its chairman, is confident of continued support from Paribas, which is due to be denationalised next year, and is aiming for pre-tax profits of FFr 330m in 1989.

To back up the group's current restructuring, the French government and Paribas will be subscribing to a FFr 750m capital increase for Crédit du Nord. The restructuring has involved the modernisation of the bank and a reduction in its workforce.

The first-half loss of FFr 241.5m follows an increase of FFr 250.6m in provisions to cover domestic and foreign debt risks as well as the cost of the workforce reductions this year. Moreover, the bank did not benefit during the first half from the sizeable extraordinary gains of FFr 168.2m it reported in the first half of last year. Extraordinary gains in the first half of this year amounted to only FFr 40m.

First-half operating profits before provisions, taxes and other special charges totalled FFr 245.6m in the first half compared with FFr 360.2m.

Total provisions, taxes, special charges and depreciation amounted to FFr 487.1m in the first half compared with FFr 294.5m in the first six months of last year, leading to a net first half loss of FFr 241.5m compared with the profit of FFr 65.7m for the same period last year.

Pirelli records 55% increase in earnings for first six months

BY ALAN FRIEDMAN IN MILAN

PIRELLI, the Italian tyre and cables group, yesterday announced an aggregate net profit of $81.2m in the first six months of this year, a 55 per cent increase on the first half of 1985.

The profit was struck on $2.3bn of first-half turnover, against $1.7bn in the first six months of last year. Of the increase in revenue, about $186m came from the acquisition last year of West Germany's Metzeler tyre and rubber products group.

Pirelli's net indebtedness at June 30 this year came to $1.2bn, against net shareholders' funds of $1.8bn.

Pirelli, despite being Italy's fifth biggest company with 1985 turnover of $3.67bn, has never published a consolidated set of accounts. The group's balance sheet is an aggregate of operating subsidiaries in 16 countries, which are 40 per cent controlled by Société Internationale Pirelli in Switzerland, 12 per cent by Pirelli Société Générale, also in Switzerland, 8 per cent by foreign partners and 40 per cent by Pirelli SpA in Italy.

The Pirelli aggregated group accounts show a 1985 net profit of $101.5m, up 40 per ceot, for the year to last December. The Pirelli SpA accounts, which have a June year-end, show a L50.5bn ($37m) profit, only slightly above the L48bn the previous year. Mr Jacopo Vittorelli, Pirelli SpA managing director, said yesterday: "We are not satisfied with the result, but the tendency is at least positive."

At the group level Pirelli last year paid $65.7m in taxes, while Pirelli SpA, the Italian holding company, paid L3.8bn in taxes and Industrie Pirelli, the Italian operating company, paid L98bn in taxes. Pirelli said yesterday its Swiss holding vehicle paid between SFr 1m ($617m) and SFr 1.5m in taxes last year.

Li Kashing fails to quash tribunal censure

By David Dodwell in Hong Kong

LI KASHING, one of Hong Kong wealthiest businessmen, yesterday *failed in his high court bid to quash* a special tribunal's censure for culpable insider dealing.

Mr Li, along with four other executives in Cheung Kong, the property group controlled by him, had appealed against censure, which came in April after a 16-month inquiry by Hong Kong's insider dealing tribunal.

The tribunal had censured him and six other executives in connection with share trading in International City Holdings (ICH), a local property group, between January and June 1984.

The dealings examined by the tribunal were linked with an abortive HK$900m (US$115m) property deal between ICH and Everbright, the Peking-linked group headed by Wang Guangying, one of China's leading "red capitalists."

At the end of a judicial review of the tribunal's judgment, Mr Justice Kempster said the tribunal had made no legal mistakes, and had not reached any unsupportable conclusions.

Li Kashing controls Hutchison *Whampoa* and *Hongkong Electric* as well as the property holding group Cheung Kong.

Ogden selling food unit for $320m

BY WILLIAM HALL IN NEW YORK

OGDEN CORPORATION, the New York-based services company, is selling its Ogden Foods Products Corporation to the Chicago-based IC Industries for $320m.

Ogden Food Products markets soups, sauces, breadcrumbs and health foods under a variety of brand names including Progresso, Hollywood and Las Palmas.

Last year Ogden Food Products had operating profits of $8.5m on sales of $256.9m which compares with operating profits of $15.8m and sales of $227.6m in 1984. The drop in profits was due to a substantial marketing investment in the nationwide launch of the group's Progresso soup brand.

Mr Ralph E. Ablon, Ogden's chairman, says that the proceeds from the sale will be used to fund Ogden Financial Services and to support further restructuring "as determined desirable". The company says that the sale completes the restructuring begun in 1981 and "results in a total services company with operating services, project services, including incineration of municipal solid waste, and financial services."

Alcan profits higher at nine months

By Robert Gibbens in Montreal

ALCAN ALUMINIUM of Canada posted higher profits in the third quarter and nine months helped by continuing good margins on sales of fabricated products and lower ingot production costs.

The pattern of fabricated shipments was affected in the third quarter as US customers had bought heavily in the second quarter to hedge against strikes.

In the third quarter, Alcan's consolidated net income was $54m or 54 cents a share against $7m or 7 cents a share a year earlier. Sales were $1.48bn against $1.41bn.

In the nine months, net profit was $192m or $1.92 a share, up from $32m or 32 cents a year earlier. Sales were $4.47bn against $4.25bn.

Third-quarter shipments of aluminium in all forms were 500,600 tonnes against 546,800 tonnes and in the nine months 1.59m tonnes against 1.64m tonnes.

Sales of *fabricated* products in the third quarter were 340,100 tonnes against 336,6000 tonnes and in the nine months 1,067,000 tonnes against 1,014,200 tonnes. Third quarter sales of ingot were 160,500 tonnes against 210,200 and in the nine months 526,000 tonnes against 629,900 tonnes.

Profitability of the North American and European operations was significantly higher than a year earlier, Alcan said.

Dart & Kraft suffers setback after spin-off

BY OUR NEW YORK STAFF

DART & Kraft, the diversified US food group being separated into two public companies, suffered a third-quarter setback, with net earnings falling to $21.2m, or 17 cents a share, from $116.1m, or 80 cents.

The group also declared an expected distribution to its shareholders of one share of the common stock in Premark International for every four Dart & Kraft shares held on October 31. Premark is being set up through the spin-off of the group's direct-selling, food-equipment and some consumer businesses.

The group said the results for the quarter included after-tax charges of about $81m, or 57 cents a share, for rationalisation and costs associated with the spin-off. Operating earnings from continuing operations, which now consist of the Kraft food and Duracell battery businesses, were £71.5m, or 52 cents a share, against $107.1m, or 74 *cents last time*.

Sales rose to $2.22bn from $2.01bn. At the operating level the figures reflect after-tax charges of $26m for Duracell's realignment of production capacity and technical efforts, as well as the closure of its South African business.

The group said earnings from continuing operations were also affected by a higher-than-expected tax rate. Foreign currency losses were put at 3 cents a share.

Mr John Richman, chairman and chief executive officer, said that while charges had substantially reduced earnings in the quarter, the actions they reflected were "certain to enhance the profit protential of both Dart & Kraft's continuing businesses and those to be owned by Premark International.

"Kraft, representing over 90 per cent of sales and profit, posted higher profits in all of its business groups except dairy, which had a significant shortfall. Duracell profit was unchanged."

For the nine months, net profit of the group was $294.2m, or $2.06 a share, on sales of $6.33bn, against $337m or $2.33 a share oo sales of $5.8bn *last time*.

After the share distribution premark, which will include Tupperware, will have about 33.8m shares outstanding and 68,000 shareholders.

Christiania in NKr 188m rights issue

By Our Oslo Correspondent

CHRISTIANIA Bank, Norway's second largest commercial bank, is to raise NKr 188m ($25.8m) in a one-for-six rights issue. Strong growth throughout this year has made the issue necessary in order to comply with legal requirements on capital ratios, the bank said.

The Christiania shares have a nominal value of NKr 100. The issue price is NKr 175, while the shares were traded briskly at NKr 205 on the Oslo stock exchange yesterday. All previous Christiania issues have been at nominal price.

The subscription period is the second half of November. Existing shareholders registered by October 22 and holders of rights have priority. They are offered one new share for every six old ones.

New shares entitle holders to half the dividend for the fiscal year of 1986.

Christiania Bank's share capital after this issue will be NKr 1.3bn. Full subscription is guaranteed by a syndicate consisting of the larger financial institutions among the bank's shareholders. The bank is to present its eight-months figures on Wednesday.

Payout resumed at US bank

By Our New York Staff

CONTINENTAL Illinois Corporation, the parent of the big Chicago bank which was rescued by US bank regulators in 1984, yesterday gave another signal of its steady recovery to full financial health by announcing resumed dividends on its common stock.

Continental will pay on December 31, 1986, a 2 cents a share dividend on its common stock to stockholders of record at the close of business on December 15, 1986. The Corporation last declared a dividend on its common stock in February 1984 when it paid 50 cents a quarter.

Goodrich registers strong third quarter

BY DAVID BLACKWELL IN NEW YORK

B. F. GOODRICH, the world's largest maker of PVC compounds, which put its tyre business into a joint venture with Uniroyal on August 1, has reported a much stronger third quarter following what it called "a year of transition".

Earnings for the quarter were $16.6m or 70 cents a share, sharply up on the $800,000 or 2 cents of a year ago. Revenues fell to $574.1m from $834.9m, reflecting the formation of the joint tyre venture.

For the nine months, earnings were $19.7m or 81 *cents a share on* sales of $2.1bn. This compares with a loss last time of $349.4m or $15.57 a share, struck after a $365m provision for restructuring. Sales were $2.4bn.

Mr John Ong, chairman, said the chemical and aerospace businesses performed well in the quarter, producing higher operating income than last year. "We are beginning to see the improvement we expect from these operations."

Goodrich was clearly a different company from a year ago, he said. "Overall we are pleased with the progress of the core businesses in the restructured Goodrich, and in the progress the new tyre joint venture is making."

A $3.4m loss attributable to the *joint venture included* Goodrich's share of the start-up costs expected for the whole of this year. In succeeding quarters, Goodrich expects to report profits from the venture, but it will be accounting for its investment under the equity method.

Sweetened bid for food group

By Bernard Simon in Toronto

CAMPEAU, the Canadian property developer, has further sweetened part of its offer to shareholders of Allied Stores, the big US retailer at the centre of a month-long takeover battle.

More than two-thirds of Allied's shares have already been tendered to Campeau in terms of a cash offer of US$66 a share plus a commitment that Allied will declare a dividend of $3 a share once Campeau takes control.

The cash offer was made for a maxium of 40.8m Allied shares, or 80 per cent of the total outstanding. In an effort to gain an even bigger position, Campeau said yesterday that it will exchange each additional Allied share for securities with a face value of $84.16. The securities consist of a 16 per cent exchangeable redeemable cumulative preferred share in Campeau with a value of $47.86 and a right to purchase shares in the property company worth $36.30.

Campeau's tender offer expires on October 24. Allied strongly opposes the bid and has organised a cash counter-offer of $67.

Allied Signal lifts profits 70%

BY OUR NEW YORK CORRESPONDENT

ALLIED SIGNAL, the US industrial conglomerate, registered a gain of more than 70 per cent in net profits in the third quarter, but partly as a result of consolidating the operations of Signal, the aerospace and engineering group acquired a year ago.

Net income for the quarter amounted to $164m, or 91 cents a share against $95m, or 83 cents a share in the same period a year ago, while sales jumped to $2bn from $1.6bn.

In the first nine months, net earnings rose to $536m, or $2.88 a share, against $381m, or $3.77 a share. Sales increased to $8.76bn in the nine months from $6.5bn in 1985.

Signal's operations were consolidated in the new group from the beginning of October last year, but Mr Edward Hennessy, chairman, said the profits increase also reflected improved aerospace sales and higher earnings from the replacement parts and fibres businesses.

The cost reduction programme of last year had also helped the group's performance, he added, and the gains had been achieved despite a $37m reduction in net income compared to last year due to the group's interest in Union Texas Petroleum.

Mr Hennessy said Allied's military sales remained strong and its commercial aviation business was improving. During the third quarter, research, development and engineering expenditure increased to $308m from $154m, while capital expenditure rose to $160m

Nobel lifts profits 58%

By Sara Webb in Stockholm

NOBEL Industries, the Swedish armaments and chemicals group, reported a 58 per cent increase in profits for the first eight months of this year. The group expects full-year profits to reach SKr 450m ($66m), up 50 per cent on the 1985 figure.

Profits after financial items for the first eight months reached SKr 218m, compared with SKr 138m last year.

Sales showed a 6 per cent increase at SKr 7.37bn, against SKr 7.13bn in the corresponding period last year.

Extraordinary income amounted to SKr 288m and was due chiefly to the sale of its electronics business, property, and shareholdings in Componenta and Nitro Nobel.

Arms sales rose 32 per cent to SKr 1.7bn, while operating profits doubled to SKr 87m. The company booked orders worth SKr 9.16bn, including an order worth SKr 8.4bn to supply complete field artillary systems to India.

The consumer goods division showed a 15 per cent increase in sales to SKr 830m, and a 28 per cent increase in operating profits.

Sales in the adhesives and paints sector rose 10 per cent, while operating profits rose 38 per cent to SKr 157m.

However, chemicals and explosives showed a 30 per cent fall in sales to SKr 547m, while operating profit fell 89 per cent to SKr 3m.

Royal TrustCo boosted by property business

BY ROBERT GIBBENS IN MONTREAL

ROYAL TRUSTCO, one of Canada's two largest trust companies, benefited from strong mortgage and property business in the first nine months.

Earnings were C$117m (US$84.2m) or C$1.69 a share, up from C$88m or C$1.47 a year earlier on revenues of C$1.7bn against C$1.4bn. Its assets at September 30 were C$19.3bn against C$12.5bn.

Canada TrustCo, with less developed property operations, earned C$91.2m or C$2.19 a share in the nine months, against C$95.5m or C$2.47 a share a year earlier. Assets at September 30 were C$22.9bn against C$212.4bn. The company is controlled by Imasco of Montreal.

Domtar, Montreal-based pulp and paper, building materials and chemicals group, had nine month net operating profit of C$3m or C$2.07 a share against C$88.8m or C$1.84 a share a year earlier, on revenues of C$1.7bn against C$1.5bn. Construction materials, fine papers, newsprint and market pulp were all strong with firm prices, but packaging products were weak and chemicals produced a small profit.

Cadillac Fairview, the large North American property group controlled by the Edgar and Charles Bronfman interests of Montreal, earned C$31.3m or 23 cents a share in the six months to August 31, against C$50.8m or 60 cents a year earlier, on revenues of C$341m against C$238m.

Canadian Tire family shares up for sale

BY OUR MONTREAL CORRESPONDENT

TWO MEMBERS of the family which founded Canadian Tire, the merchandising success story of the 1970s in Canada, have put their 1.4m voting shares on the block. They are worth between them C$50m (US$36m) and C$70m.

The holding of Mr Alfred and David Billes, totalling 41 per cent of the voting stock, is on offer through investment dealers, the company said. Another 20 per cent voting interest held by Ms Martha Billes, their sister, is not part of the deal.

Canadian Tire is a national car parts, sports and hardware group including 380 independent franchise dealers who together own 13.4 per cent of the voting stock.

The 3.4m voting shares outstanding represent only 5 per cent of the total equity and more than 80m non-voting shares are in issue. In some takeover conditions, the non-voting stock exercises a vote.

Imasco, the tobacco, fast food and retailing group, in 1983 made an unsuccessful C$1.3m offer for Canadian Tire, but the bid was defeated by the Billes family. Since then the company has run into trouble with a large US subsidiary and has pulled out of an Australian venture.

In the first six months this year the company earned C$34m or 51 cents a share against C$40.8m or 60 cents a year earlier on sales of C$1.1bn against C$1bn. Canadian Tire has been subject to takeover rumours for the past few weeks.

SCF expands N. American interests

By Bernard Simon in Toronto

SOCIÉTÉ des Ciments Français, the leading French cement producer, is to expand its extensive North American interests by offering to buy the outstanding shares of Canada's Lake Ontario Cement for C$155.8m (US$112m).

Lake Ontario's biggest shareholder, Denison mines of Toronto, said yesterday that it plans to accept SCF's offer of C$36.25 a share for its 54 per cent interest in the company. The transaction is subject to Canadian Government approval.

SCF has made four acquisitions in North America during the past eight years and derived 40 per cent of its 1985 earnings from Coplay, its Pennsylvania-based subsidiary. Coplay's income totalled US$13m from revenues of $154m.

Marsh & McLennan growth continues

By David Blackwell in New York

MARSH & MCLENNAN, of the US, the world's largest insurance broker, has continued the strong growth trend of its first six months into the third quarter, lifting net profits by 52 per cent.

Earnings for the quarter rose to $64.2m or 87 cents a share from $42.3m or 58 cents a share last time. Revenues grew 32 per cent to $461.8m from $350.9m.

Mr Frank Tasco, chairman, said the "excellent performance" was achieved in all sectors – insurance and reinsurance broking, consulting and investment broking.

"Results in our insurance broking operations continue to reflect our successful response to the challenging needs and demands of our clients in the present very difficult insurance environment," he said.

There was an increasing demand for the consulting operations as employee benefit and compensation issues, both in the US and overseas, became more complex, reflecting economic and regulatory changes, he said.

Nine-month income rose to $193.9m, an increase of 54 per cent over last time's $126.2m. At the per-share level it rose to $2.63 from $1.73. Revenues were 35 per cent ahead at $1.36bn against $1bn.

Australia looks at insider deals

By Chris Sherwell in Canberra

AUSTRALIA'S National Companies and Securities Commission (NCSC), which oversees the country's securities industry, has proposed tough new penalties, including jail terms, to combat insider trading in the share market.

The proposal is one of several changes put forward for discussion in a green paper which investigated the country's financial system and found existing provisions on insider trading inadequate.

If the proposals go through, insider trading would be a criminal offence, punishable by fines of up to three times the profit made and prison sentences.

N. AMERICAN QUARTERLIES

AMDAHL
Computer systems

Third quarter	1986 $	1985 $
Revenue	220m	221.1m
Net profits	7.11m	5.71m
Net per share	0.15	0.12
Nine months		
Revenue	630m	[illegible]
Net profits	12.2m	16m
Net per share	0.25	0.22

AMERICAN ELECTRIC POWER
Utility

Third quarter	1986 $	1985 $
Revenue	1.21bn	1.18bn
Net profits	132.92m	114.12m
Net per share	0.69	0.54

AMERITRUST
Bank

Third quarter	1986 $	1985 $
Net profits	30.8m	25.1m
Net per share	1.09	1.24
Nine months		
Net profits	65.4m	64.2m
Net per share	3.16	3.15

BALL CORP
Glass and metal containers

Third quarter	1986 $	1985 $
Revenue	281.7m	288.4m
Net profits	16.7m	15.7m
Net per share	0.73	0.69
Nine months		
Revenue	818.4m	882.4m
Net profits	47.8m	48.7m
Net per share	2.07	1.75

CENTRAL AND SOUTH WEST
Utility

Third quarter	1986 $	1985 $
Revenue	500m	540m
Net profits	147.2m	145.5m
Net per share	1.46	1.44
Nine months		
Revenue	2bn	2.08bn
Net profits	303.5m	291.7m
Net per share	2.95	2.81

COMERICA
Bank

Third quarter	1986 $	1985 $
Net profits	16.1m	8.74m
Net per share	1.42	0.71
Nine months		
Net profits	42.9m	45.6m
Net per share	3.75	3.95

CONTEL
Telephone company

Third quarter	1986 $	1985 $
Revenue	780.8m	627.7m
Net profits	60.3m	74.8m
Net per share	0.78	0.97
Nine months		
Revenue	2.3bn	1.8bn
Net profits	166.2m	168.5m
Net per share	2.16	2.19

ETHYL
Chemical, plastic and aluminium products

Third quarter	1986 $	1985 $
Revenue	404.9m	389.0m
Net profits	44.8m	35.1m
Net per share	0.37	0.37
Nine months		
Revenue	1.19bn	1.17bn
Net profits	124.9m	79.2m
Net per share	0.35	0.81

W. W. GRAINGER
Electric motors

Third quarter	1986 $	1985 $
Revenue	305.1m	277.7m
Net profits	18.5m	17.8m
Net per share	0.64	0.61
Nine months		
Revenue	864.2m	814.8m
Net profits	53.8m	48.3m
Net per share	1.84	1.70

GOLDEN WEST FINANCIAL
S&L holding company

Third quarter	1986 $	1985 $
Net profits	44.8m	59.9m
Net per share	1.44	1.73
Nine months		
Net profits	138.2m	115.8m
Net per share	4.43	3.72

LOUISIANA-PACIFIC
Lumber and pulp products

Third quarter	1986 $	1985 $
Net profits	22.2m	14.3m
Net per share	0.60	0.38
Nine months		
Revenue	1.12bn	949.3m
Net profits	48.1m	40.6m
Net per share	1.31	1.35

OLIN CORPORATION
Chemicals, paper, metals, ammunition

Third quarter	1986 $	1985 $
Revenue	487.5m	427.1m
Net profits	8.58m	*†205.1m
Net per share	0.40	18.58
Nine months		
Revenue	1.3bn	1.4bn
Net profits	86.9m	1173m
Net per share	2.98	17.56

† Loss
* After $285m restructuring charge

DOMTAR INC.
Fine paper manufacturer

Third quarter	1986 C$	1985 C$
Revenue	595.0m	525.7m
Net profits	37.4m	25.1m
Net per share	0.60	0.58

NORWEST CORPORATION
Bank holding company

Third quarter	1986 $	1985 $
Net profits	22.2m	20.9m
Net per share	0.97	0.90
Nine months		
Net profits	66.9m	65.4m
Net per share	2.64	2.58

Michael Field on a Bahrain group formed for foreign invesment

Investcorp finds formula for growth

THERE ARE few companies in the recession-struck Middle East that have improved their performance in each of the last three years and are set to turn in their best results yet in 1986. One exception is the Bahrain-based Arabian Investment Banking Corporation (Investcorp), which was established in 1982 to buy companies and property in the industrialised countries and sell shares in them to rich Arabs in the Gulf and Saudi Arabia.

The company readily admits that the reason for its success is that it is linked to the one growth area of the Gulf's economy, foreign investment. At the end of last week Investcorp finalised its 14th major deal, the purchase for $83m of the Peebles Department store chain.

The group it is buying was founded 95 years ago and has 38 stores spread over Virginia, North and South Carolina, Maryland and Delaware. Investcorp has invited Shearson Lehman Brothers to be its partners in marketing the company's equity and debt. When the Peebles deal is completed Investcorp will have made investment worth about $1.2bn.

According to Mr Nemir Kirdar, the company's Iraqi chief executive, who formerly ran Chase Manhattan's Middle Eastern operations. "It's not just that our operations work well, but that we formulated the right concept in the beginning. In 1982 we set out very precise ideas for what we were going to do and we've stuck to them. Which is quite unusual."

Mr Kirdar noticed in the 1970s that large numbers of bankers were visiting the Gulf with good investment proposals but that the potential Arab clients, despite having earmarked capital for foreign investment, were not responding.

He saw two problems in particular. The Arab's reaction was too slow for them to get the best properties and direct corporate investments that they were offered, and there were very few individuals who were able to lay their hands on large sums of, say, $50m at short notice.

So he decided that the area needed an institution which could agree to a deal, straight away and then "turn round, carve it up and make it available in $1½m pieces."

To make the institution credible with his future customers, Investcorp at its launch sold its shares to as many investors as possible in the six Arab oil producing countries—Saudi Arabia, the United Arab Emirates, Kuwait, Bahrain, Qatar and Oman. In effect the 325 founder shareholders became the customer base.

The company has an office in London (its only one abroad) and its headquarters in Bahrain. The London office looks for investment opportunities. In the case of direct corporate investment, Investcorp wants companies that have current cash income and well-known brand names, and which offer investors the prospect of a significant capital gain in a reasonable period of time. It is not interested in venture capital operations.

With the purchase late last week of the Peebles Department Store chain for $83m, Investcorp has spent $1.2bn in the past three years on foreign investment and is set to turn in record results this year

Typically the target company is a long-established family operation—as is the case with Peebles and with Moeller, the US manufacturer of fluid control devices for water and gas systems which Investcorp bought in June. Such companies have been run in recent years by professional managers, who want to buy into them, while descendants of the founders are no longer involved in management and want to sell. The sellers appoint an investment bank to manage the sale, and the bank tells Investcorp of the opportunities.

Investcorp buys companies using its own capital resources ($59m at the end of last year) and short-term bank credit. Then it reorganises the companies' liabilities.

Normally this involves the creation of roughly 50 per cent senior debt, 40 per cent subordinated debt, paying a slightly higher rate, and 10 per cent equity.

The senior debt is placed with international banks, and American and European institutional investors take a large part of the subordinated debt. In the case of the jeweller Tiffany, which has been Investcorp's most famous purchase, General Electric Credit Corporation took all the senior debt, 40 per cent of the subordinated debt, and a quarter of the equity.

In most cases the equity is divided between the company's management, which may take 10 or 20 per cent, Investcorp itself, which always keeps a small stake to show its confidence in its deals, and Middle Eastern investors.

In effect the Bahrain office, which does the packaging and retailing of the companies, combines portions of equity and remaining subordinated debt, and sells them in units of say $100,000 to investors in the Gulf. A typical unit might contain $25,000 of equity and $75,000 of loans.

It has just sold the interest it acquired three years ago, in the ManuLife Plaza building in Los Angeles which it marketed in $250,000 units composed entirely of equity. It is paying investors this month, and their cheques will contain in addition to a good rental income, a capital gain of more than 20 per cent.

Fletcher Challenge acquisition

BY OUR FINANCIAL STAFF

FLETCHER CHALLENGE, New Zealand's largest industrial company, has further shifted the balance of ownership in the Australasian foods sector by taking a 9.9 per cent stake in Goodman Fielder, a conglomerate created in March to combine food interests on both sides of the Tasman.

Goodman Fieldler in August bought 14.6 per cent of Ranks Hovis Macdougall, the UK flour milling and baking group.

Fletcher becomes a Goodman shareholder in place of Arnotts, the Australian biscuit maker which is selling its holding for A$133.6m (US$85.15m). The nominal payment to Arnotts will come mainly in NZ$128.5m (US$63.9m) worth of Fletcher shares, priced ex dividend at NZ$5.14. Fletcher's own employee unit trust will, however, immediately repurchase the *company's shares* at the issue price.

Mr Pat Goodman, chairman of Goodman Fielder, said the Fletcher purchase "took place with the company's knowledge and encouragement."

Fletcher has existing interests in forestry and farming.

Wattie Industries earnings down 21%

BY DAI HAYWARD IN WELLINGTON

WATTIE INDUSTRIES, the New Zealand canning, food and meat processing group, has reported net profits of *NZ$49m (US$24.37m), for its* latest year, a drop of 21.2 per cent from the previous NZ$61.2m.

This was despite a NZ$20.8m tax benefit achieved by including dividends which are not accessible for tax purposes and by claiming interest as a deduction.

Extraordinary gains of NZ$81.9m included NZ$118.7m from the sale of Wattie shares in the old Goodman Group and acquisition of shares in Goodman Fielder.

This was partly offset by a NZ$35m writedown of the value of the group's share in Waitaki International, a meat processing group.

The directors said factors *ranging from increased labour* costs to reduced earnings from the meat industry caused the decline in profits, which came after many years of sustained growth. They forecast a return to higher profits next year.

Setback for NTN Toyo Bearing

By Yoko Shibata in Tokyo

NTN TOYO BEARING, one of Japan's biggest manufacturers of bearings, suffered a 62 per cent drop in earnings at both the pre-tax and net levels during the first half-year to September, as the appreciation of the yen hit exports and stiffer competition led to price cuts in several markets.

The company announced that it will reduce its 7,000 workforce by 200 people a year at its factories in Japan and will shift more production overseas in an effort to combat the effects of the yen's increasing strength.

Pre-tax profits fell 62.6 per cent to Y2.8bn ($18m) and net *profits by 62 per cent to* Y1.9bn, while sales dropped by 5.4 per cent to Y114.31bn. The company is forecasting a drop of one-third in full-year pre-tax profits to Y6.8bn on sales down 2.5 per cent to Y234.3bn.

David Barchard on financial reforms in an underdeveloped economy

Turkey edges towards free market

TURKEY'S long-suffering businessmen may soon obtain some relief from the punitively high interest rates they are paying on corporate loans. The relief is expected to come in a few weeks' time when Mr Turgut Ozal, the Prime Minister, unveils a series of measures designed to foster the growth of the country's embryonic financial markets.

The latest round of financial reforms is part of Mr Ozal's attempt since taking office three years ago to create a free market environment in an economy which until this decade was virtually closed to the outside world. Mr Ozal's economic reforms since 1983 have come as a series of shocks to the Turkish economy, which is still well behind the rest of Western Europe.

Mr Ozal's measures in recent years have both stimulated enormous demand and with it an average annual Gross National Product growth rate of between 6 and 8 per cent. On the other hand inflation has been running at 40 to 50 per cent in recent years. This year it is between 30 and 35 per cent.

Turkey's 54 banks have their deposit rates set by the Government. Demand deposits currently pay 10 per cent, while time deposits of up to 12 months pay as much as 52 per cent, the same rate as is paid on one-year Treasury bonds.

The existence of huge bad debts in the banking system—reckoned to be at least Turkish liras 1,000bn ($1.4bn) out of total loan advances in the system of Tl 6,500bn—has together with hefty reserve and liquidity requirements, resulted in nominal lending rates which are staggeringly high by the standards of most other countries.

The Turkish banking market has yet to create anything resembling a prime rate, but the best corporate names (the big family owned holding groups such as KOC and Sabanci) end up paying an "indicative" rate of 55 per cent. Once compounded quarterly, and with 13 per cent of Government levies added in, this comes out at roughly 80 per cent interest on an annualised basis. Lesser borrowers, whether manufacturers or trading houses, may pay a rate as high as 95 per cent.

Other forms of corporate finance scarcely exist. The Istanbul stock market, launched last December, has 40 "actively" traded shares, but the word active in Turkey has an extremely relative meaning. Dr Ismael Turk, chairman of the Ankara-based capital markets board which regulates financial markets in Turkey, says that the equity market has seen the number of share transactions increase from "three or four a month last year" to as many as 25 or 30 trades a month at present. Average volume on the Istanbul Bourse is $4m a month.

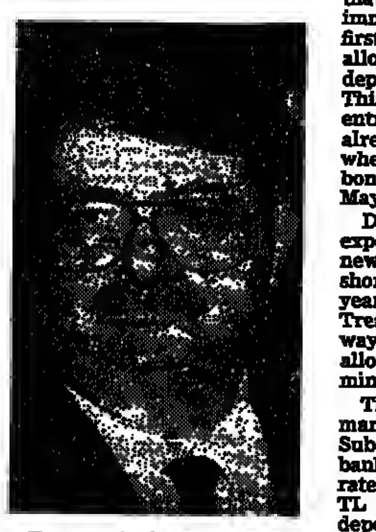
"I don't think we have a stock market. We don't have a capital market. The money market is thin. You can't go to university if you haven't gone to primary school yet," says Dr Vural Akisik, general manager of the Istanbul-based Interbank, which specialises in trade finance.

Dr Akisik reckons that Turkey "is 50 years behind Wall Street" in terms of its financial markets. For this reason Mr Ozal's liberalisation measures are an important development if the country is to nurture a free-market environment which allows industry to take advantage of the inherent growth potential in the economy.

The measures—which top government officials say they do not wish to describe as a package and prefer to introduce on a "phased and gradual basis"—are threefold:

- The launch of commercial paper issues;
- the freeing of competition between banks on deposit rates;
- And the setting up of a Government securities market.

The introduction of commercial paper is by far the most significant: it could make finance available to companies at 30 to 40 per cent below bank lending rates. One senior



Turgut Ozal: stimulated enormous demand

Ankara official said he was expecting initial commercial paper volume of up to TL 200bn in the first year.

Turkish businessmen must rely at present on costly bank loans or on a modest and stagnant corporate bond market. For smaller businesses, there is an unregulated promissory note system which costs 6 per cent monthly interest and frequently sees the notes not honoured.

The commercial paper market will require firms to meet a set of specific criteria. Those companies wishing to raise more than their existing equity capital will have to prove that no loss has been made for three years. The accounts of commercial paper issuers will have to be externally audited in the last financial year, a revolutionary step for Turkey, where audited balance sheets are few and far between.

The approach to deposit rate competition will be very gradual, largely because of fears that any freedom will see an immediate jump in rates. The first move will probably be to allow free competition on deposits of more than TL 50bn. This would be a natural point of entry because Turkish banks already bid in units of TL 50bn when purchasing Treasury bonds—an innovation started in May 1985.

Dr Rustu Saracoglu, who is expected to be named as the new central bank governor shortly, persuaded Mr Ozal two years ago that the auctioning of Treasury bonds was the logical way to begin when trying to allow market forces to determine interest rates.

The initial impact on the market would thus be slight. Subsequently, the level at which banks are free to set deposit rates would be lowered to TL 6m, the upper limit for deposit insurance in Turkey.

The creating of a real secondary market in Government securities will be a longer process. But Mr Ozal's advisers are convinced that this step is also a necessary part of the series of measures designed to bring some maturity, or at least adolescence to the Turkish financial scene.

If the measures succeed—it will take at least a year to judge their progress—then it may be possible to lift certain foreign exchange controls on capital transactions. But with Turkey's foreign exchange markets extremely tight and the country's current account still looking very wobbly with an expected 1986 deficit of $1.3bn—this final step may be some way off.

Cepsa to sell refining stake

By Our Financial Staff

CEPSA, the Spanish oil refining group, is negotiating the sale of up to 50 per cent of its Canary Islands refinery to Venezuela's state-owned Corpoven.

Cepsa also confirmed oil industry reports that Abu Dhabi's International Petroleum Investment was negotiating to acquire a 20 per cent stake in Cepsa.

Benedetti eyes BankAmerica offshoot

BY ALAN FRIEDMAN IN MILAN

MR CARLO DE BENEDETTI said yesterday that Cofide, his master holding company, had told the Bank of Italy that it might be interested in acquiring Bank of America's Italian subsidiary "together with international groups."

Mr De Benedetti was speaking at a Cofide shareholders' meeting in Turin. The holding vehicle controls a range of industrial and financial companies including Olivetti, Buitoni, plus interests in insurance, publishing, banking and other sectors.

Yesterday Cofide unveiled a L21.5bn ($15.7m) consolidated net profit for its first year of operations.

Banca d'America e d'Italia, the Milan-based subsidiary of the Bank of America, is understood to be for sale. In recent weeks interest has been expressed by the Istituto San Paolo di Torino, by Mr Gianni Agnelli, Fiat's chairman, and by Banca Commerciale Italiana, the second largest Italian state bank.

Mr De Benedetti said he believed it would be an error if the Banca d'America were acquired by a public bank.

TSE may cut large deal rates by 10%

By Our Tokyo Staff

TOKYO Stock Exchange is considering cutting commission rates by an average of 10 per cent on larger share transactions. A formal decision is expected to be taken this week and the new rates, if agreed, will be put into effect in the middle of next month.

The TSE's proposals represent a compromise on the part of the brokerage community, which has found itself under pressure from the Ministry of Finance—after an exceptionally strong performance this year—to accept total liberalisation of the commission structure.

Among the four leading securities houses, Nomura is forecasting an 80 per cent increase in pre-tax profits to Y380bn ($2.46bn), Daiwa a 95 per cent rise to Y240bn, Nikko a 77 per cent rise to Y206bn and Yamaichi a 74 per cent rise to Y180bn.

These substantial increases, supported by a predicted 50 per cent growth in operating income, will be earned mainly from commissions on securities trading, with those earned on investment trust business showing an especially rapid increase.

Commission reductions would apply, under the plan now being considered, on transactions of Y10m ($65,000). Last April commissions were cut on deals of over Y50m, though average rates remain higher than those in the US.

The TSE defends the retention of fixed commissions on transactions of less than Y10m, however, on the grounds that rates in Tokyo are relatively low for smaller deals compared with those in other countries. This business, mainly involving private investors, is largely in the hands of the smaller brokerage houses, which have been the most vigorous opponents of total abolition of fixed commissions.

At the same time, the TSE is moving towards the introduction of trading in stock index futures and options, in order to provide a means for investors to hedge their risks from share dealing. The Ministry of Finance is considering permitting stock index futures and options when it carries out a revision of the Securities and Exchange Law in 1988.

Esab earnings decline 26% at nine months

By Sara Webb, Stockholm Correspondent

ESAB, the world's leading manufacturer of welding equipment, suffered a 26 per cent drop in profits, after financial items, for the first nine months to SKr 101m (US$14.8m), against SKr 137m in the corresponding period last year. Sales were unchanged at SKr 2.91bn.

The group expects profits for the full year to be below last year's figure of SKr 204m in view of the deteriorating market situation. With the lower oil prices this year, Esab has experienced less demand for welding equipment from the offshore sector.

Orders from the Middle East, South-East Asia, and China have virtually ceased, the company says. However, demand from West Germany, Italy, and Brazil was strong, and exports to the Soviet Union increased. Orders received included are for welding equipment worth SKr 230m.

Demand for mechanised welding equipment and the components for automatic welding equipment has increased in Western Europe, and sales of robot welding units has increased by 20 per cent.

The group has over 40 per cent of the market in welding electrodes in Western Europe.

Credit Suisse bond issue

By Our Financial Staff

CREDIT SUISSE, the big Swiss bank, plans an issue totalling SFr 300m comprising 2½ year notes indicated at 4½ per cent and a 12 year bond indicated at 4½ per cent. Final terms will be set on Thursday, subscriptions close October 31 and payment date is November 20.

A listing for the notes will be sought on Swiss stock exchanges, where the bond will also be traded. This is unusual for short term note issues.

Dealers mark down dollar Eurobonds in thin trading

BY CLARE PEARSON

DEALERS marked prices of dollar Eurobonds down by about ½ point yesterday in thin professional trading as the market focused on today's US GNP figures. New issue activity was confined to the non-dollar or equity-related sectors.

UBS (Securities) followed up last week's three Canadian dollar bonds with a 10-year 10 per cent issue for Xerox Canada Finance, backed by a support agreement with Xerox Canada.

Dealers said the terms of the bond, priced at 100½, looked generous and it should eventually meet firm demand. At launch it provided a yield spread of 82 basis points over last Friday's closing levels on Canadian Government bonds.

But its yield margin narrowed during afternoon trading time in Europe as Canadian Government bonds opened weaker, and the deal was quoted at discounts to issue price slightly below the level of its 2 per cent fees.

In the Euro-French franc market Societe Generale issued a FFr 300m floating-rate note (FRN) convertible into a fixed-rate issue for Remy Finance. It was guaranteed by Remy et Associes, the holding company for Remy Martin's wine and champagne business, which was formed last March.

Investor interest in the fixed-rate Euro-French franc market is low at the moment, and yesterday prices were marked down by up to a point. But Remy Finance's seven-year bond met strong demand as the issuer is rare but popular, and as investors were attracted by the generous coupon on the floating-rate issues and the flexibility provided by the fixed-rate option.

The par-priced FRN traded at 99.75 on the bid side, within 35 basis point fees.

The FRN pays 1/16 percentage point over three-month London interbank offered rate (Libor) for the first three months, and then the lower of this rate and a ¼ percentage point over the Paris interbank offered rate.

INTERNATIONAL BONDS

The FRN is callable on each renewal date and there is a sinking fund from the fifth year, giving a six-year average life. During the first five years it may be exchanged for an 8¾ per cent fixed rate bond, priced at par.

Daiwa Europe issued a $300m equity warrants bond for Sekisui House, Japan's largest private sector residential property company. The five-year deal, which was unusually large for the equity warrants sector, has an indicated coupon of 3¾ per cent. It will be priced on October 27.

Yesterday the par-priced bond traded at a bid price of 97, as against 2¼ per cent fees.

In the D-mark market prices were earmarked down by around ¼ point on average, and up to 1½ point at the longer maturities, in light trading.

Turnover in the Swiss franc market was low, and prices were unchanged or slightly firmer. In the primary market banks are mostly fuelling demand, although a recent SFr 160m 4¾ per cent 10-year bond for Philip Morris yesterday was meeting good demand from retail investors.

A SFr 300m 12-year 5 per cent bond for Australia closed its first day's trading at par, the level of its issue price, after opening at 100¼.

Union Bank of Switzerland issued a SwFr 75m 10-year bond for Kloeckner, the West German steel trading and engineering group. The indicated yield is 5 per cent. Final terms will be fixed on October 24.

Union Bank of Switzerland also priced a SwFr 100m five-year equity warrants bond for Daiwa House Industry. The coupon was fixed at 2½ per cent, ¼ below the indicated level.

Japan banks seek futures role

BY OUR TOKYO STAFF

JAPANESE COMMERCIAL banks are planning to seek permission from the Ministry of Finance to act as intermediaries in the bond futures market, which is currently celebrating its first anniversary of trading on the Tokyo Stock Exchange with evidence of a huge expansion of business.

The banks' approach, which is likely to be made in the form of an official application by the Federation of Bankers' Associations of Japan within the next week, rests on the claim that much of the recent growth of the bond futures industry has derived from dealings between financial institutions from their own books.

FT INTERNATIONAL BOND SERVICE

Listed are the 200 latest international bonds for which there is an adequate secondary market.

Closing prices on October 20

US DOLLAR STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Amer. Express 7⅞ 93	100	†95¼	96¼	−0½	−1	8.41
Amoco Co. 9¾ 16	100	103¼	103¾	−0¾	−1½	9.39
Australia Com. 11 95	100	113	113½	−0½	−1½	8.75
Australia Com. 11¼ 00	100	112¾	113¼	−0¾	−1	9.48
BP Capital 9¼ 94	100	103¼	104¼	−0¾	−1½	8.36
British Telecom 7⅞ 96	250	96¾	97¼	−0¾	−2¼	8.05
Campbell Soup 10½ 95	100	110¾	110¾	−0¾	−1½	8.72
Canada 9 96	1000	103¾	104¼	−0¾	−1¼	8.37
Canadian Pac. 10¼ 93	100	108¼	108¾	−0¼	−0½	8.58
CEPME 10¼ 91	150	107¾	108¼	−0¼	−0¾	8.09
Citicorp 8¼ 93	200	97	97½	−0¾	−0¾	8.79
Credit Lyonnais 9 91	200	104¼	104¾	−0¾	−0½	7.76
Credit National 9¼ 93	150	104¼	105¼	−0½	−0½	8.87
Denmark Kingdom 7 89	500	98¾	99¼	−0¾	−0¾	7.34
Denmark Kingdom 7¾ 93	250	97¾	97¾	−0¾	−1¼	8.24
[illegible]						

OTHER STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Amer. Ex. OS Cr. 0 91 A$	100	55¼	55¾	−1	−1¼	14.06
Bremer Ldsbk. 12⅞ 91 A$	30	97¼	98¼	+0¼	−0¾	13.38
Fiat Finance 14½ 89 A$	50	99½	100¼	0	−0¾	14.19
GMAC 12⅞ 89 A$	40	97¾	98¼	+0¼	+0½	13.57
Landsbk. Rhein. 13 89 A$	30	97	98	0	−0¾	14.15
Canadian Pac. 10¼ 90 C$	75	†101¼	101¾	−0¼	−0½	9.89
Chrysler Corpn. 10 91 C$	75	†97	97½	−0½	−0½	10.81
Genstar Fin. 11¼ 95 C$	75	*†103¾	103¾	0	−0½	11.01
GMAC 9¼ 92 C$	75	†98	98½	−0½	−0½	9.65
Royal Trustco 10¾ 90 C$	75	†98¾	99¼	−0½	−0½	10.72
Sears Acc. 10¾ 92 C$	75	*†101¾	101¾	0	−0½	10.18
Coca-Cola F. C. 17 90 NS	75	†106	107½	+0¼	+1	14.54
Denmark 17½ 89 NS	50	*†102½	102½	0	+0¼	15.98
Unilever Cap. 17½ 89 NS	50	†105	106½	−0¼	+0½	14.87
[illegible]						

DEUTSCHE MARK STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
[illegible]						
Mitsubishi M. 3¼ 89 XW	100	*†94	94	0	−0¾	5.22
Renfe 7¾ 95	100	*†105½	105½	0	−1¼	6.87
Soc. Cent. Nucleaire 7¾ 95	100	*†101¾	103½	0	−0¾	6.99
Soc. Cent. Nucleaire 6 91	200	*†104¾	104¾	0	0	6.90
Stoweag 5½ 96	100	*†91½	92¼	0	−1½	6.79
World Bank 7 95	600	*†105	125	0	−1	6.53
Yorkshire Intl. 6¼ 01	100	*†92½	93¼	0	−1½	7.07

Average price changes on day 0 on week −0¾

SWISS FRANC STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
African Dev. Bk. 5⅜ 96	100	*†103½	103¾	0	−0¼	5.37
Amer. Corp. 5¾ 01	200	*†102½	102½	0	+0¼	5.05
Baker Int. 4⅞ 96	100	*†97¾	97¾	0	0	5.61
Carlsberg 5 96	80	*†102¾	102¾	0	0	4.66
Chujitsuya 5¼ 94	50	*†102¾	102¾	0	0	4.95
Deutsche Bk. Fin. 5⅛ 95	100	*†105¾	105¾	0	−0½	4.54
Gen. Occidentale 4½ 94	80	*†121¾	121¾	0	−2¾	1.61
Glendale F. S. & L. 5⅛ 95	100	*†101½	102¼	0	0	5.38
Humana 5⅛ 98	100	*†99½	99½	0	0	5.23
Ireland 5⅛ 94	150	*†101¾	101¾	0	+1	4.83
Japan Dev. Bk. 5⅛ 97	100	*†103¾	103¾	0	−1¼	4.75
Oberoe. Kltwk. 5⅛ 95	100	*†103½	103¾	0	0	4.90
Olivetti Intl. 5½ 95	200	*†104¾	104¾	0	−0½	4.84
Pepsico 5¼ 95	130	*†104¾	104¾	0	0	4.57
Philbro-Salomon 5¼ 97	110	*†103¾	103¾	0	−1	4.76
Ralston Purina 5⅛ 94	225	*†103¾	103¾	0	0	4.89
Settsu Euro. 0 01	150	*†46¾	46¾	0	−0½	5.45
US Steel 5¼ 96	200	*†95¾	95¾	0	−1¼	6.33
USX Corpn. 5¼ 98	100	*†95¾	95¾	0	−0½	6.22
World Bank 5⅛ 94	100	*†104¾	104¾	0	−0¾	5.00

Average price changes on day 0 on week −0⅞

YEN STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Amer. Expr. OS Cr. 5⅝ 91	20	98¾	98¾	−0¼	−0⅞	6.26
Denmark 6⅝ 96	10	99¼	98¾	−0½	−1¼	6.44
GMAC 5⅞ 91	60	96	96½	+0¼	−0¾	6.38
EIB 6¼ 96	25	98¼	98¾	−0¼	−2¼	6.33
Sweden Kingdom 5⅝ 95	20	94¾	95¼	−0⅞	−2¾	6.39

Average price changes on day −0⅛ on week −1⅞

CONVERTIBLE BONDS	Cnv. date	Cnv. price	Bid	Offer	Chg. day	Prem
[illegible]						
Mitsubishi Trust 2½ 01	5/86	1600	120¾	120¾	−0½	−8.21
Mitsubishi Elec. 2⅞ 00	6/85	422	*†201	201	0	26.78
Mitsui Bank 2⅞ 01	4/86	101.9	†124	125½	+0¼	−90.23
Mitsui Trust 2⅞ 01	10/86	1990	97¾	98¼	−1½	4.91
Murata 3½ 00	7/84	2398	†180	181½	−0¾	19.62
Nippon Elec. 2⅞ 00	1/85	1205	258	259	−0¾	204.94
Nippon Oil Co. 0 00	5/85	923	287	289	−0¾	−1.59
OKI Elec. Ind. 3½ 99	10/84	865	†125	128½	−10¾	−9.39
Sanwa Bank 2⅞ 00	10/85	1486	140¾	142¾	−0½	1.61
Sumitomo Bank 2⅞ 00	8/85	2142	155¼	157	−5¾	5.78
Taiyo Yuden 3¼ 00	3/85	1076	*†154	154	0	−17.89
Toshiba Ceramics 0 00	4/85	1734	†122¼	123¼	−0½	2.60
Nippon Oil Co. 2⅞ 92 SFr	3/84	1052	*†132½	132½	0	5.82
Nippon Shinpan 2 92 SFr	3/84	881	*†179½	179½	0	27.98
Asics 0 92 DM	12/83	528	*†120½	120½	0	5.95

* No information available—previous day's price.

† Only one market maker supplied a price.

Straight Bonds: The yield is the yield to redemption of the mid-price; the amount issued is in millions of currency units except for Yen bonds where it is in billions. Change on week=Change over price a week earlier.

Floating Rate Notes: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. C.dte=Date next coupon becomes effective. Spread=Margin above six-month offered rate (‡ three-month; § above mean rate) for US dollars. C.cpn=The current coupon.

Convertible Bonds: Denominated in dollars unless otherwise indicated. Chg. day=Change on day. Cnv. date=First date for conversion into shares. Cnv. price=Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem=Percentage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares.

The prices over the past week were supplied by: Kredietbank NV; Commerzbank AG; Deutsche Bank AG; Westdeutsche Landesbank Girozentrale; Banque Generale du Luxembourg SA; Banque Internationale Luxembourg; Kredietbank Luxembourg; Algemene Bank Nederland NV; Pierson, Heldring and Pierson; Credit Suisse/Swiss Credit Bank; Bank of Tokyo International; Chemical Bank International; Chase Manhattan; Citicorp International Bank; Daiwa Europe NV; Credit Commercial de France (Securities); EBC Amro Bank; LTCB International; Robert Fleming and Co.; First Chicago; Goldman Sachs International Corporation; Hambros Bank; IBJ International; Kidder Peabody International; Merrill Lynch Pierce Fenner and Smith; Morgan Stanley International; Nikko Securities Company (Europe); Nomura International; Orion Royal Bank; Samuel Montagu and Co.; Societe Generale Strauss Turnbull; Sumitomo Finance International; Swiss Bank Corporation International; S. G. Warburg and Co.; Wood Gundy.

MANAGEMENT : Small Business

EDITED BY CHRISTOPHER LORENZ

ANGEL PEREZ CHAVEZ, a Panama City barber, bought out his boss last year, renovated the shop and re-named it Salon Angel. This year he has taken over the next door premises and expanded into ladies' hairdressing.

In February Patricia Cousins set up "El Cake de le Novia," an out-of-town bakery specialising in wedding cakes. She designs the American-style delicacies herself — other models include St Valentine's Day hearts or office-party cakes shaped like typewriters — and sells them directly or via Panama City retailers.

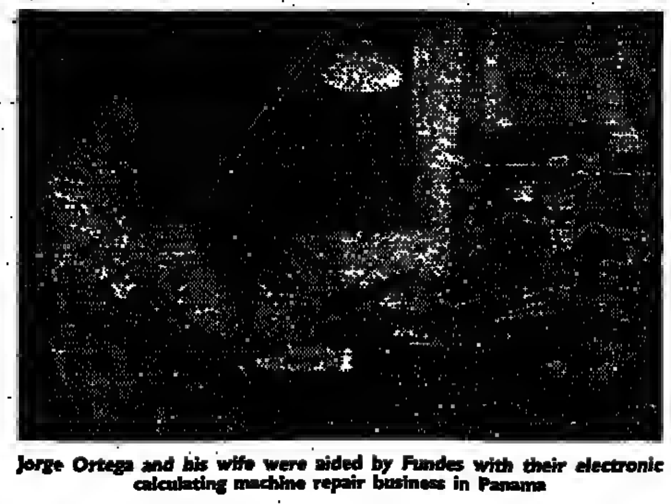
Jorge Ortega and his wife set up a business repairing all types of electronic calculating machines, and the venture is now supporting them and four employees.

These three small-scale Panamanian entrepreneurs are recipients of a new kind of development aid. Instead of contributing to major industrial, communications or agricultural projects, the Swiss foundation, Fundes, aims to promote self-help in the most modest sectors of private enterprise. In the first 18 months of its existence, the initial pilot scheme has already benefited 65 individual projects, most of which needed only a few thousand dollars to get off the ground.

The programme was launched in 1984 by the Swiss industrialist, Dr Stephan Schmidheiny, best known as the man behind the Swiss-based Eternit fibre cement group. Fundes—an acronym for the Spanish title "Foundation for Economic and Social Development"—was set up with SwFr 1m of his money as a Swiss foundation and has since been expanded by the inclusion of some 20 other Swiss firms and individuals as sponsors. These have undertaken to provide a further SwFr 3m of funds.

In the same year, Fundes CH-Panama was established as a Panamanian foundation to launch a pilot scheme in the Central American republic. As Dr Ernst Brugger, the director of the parent organisation, points out, Panama is not the flourishing economy its statistically high average income might indicate. Outside the prosperity of the capital and the former Canal Zone there is plenty of real poverty—and less of an industrial tradition than in some other Latin American countries.

A further factor behind the choice of Panama is that it is the only country in the area where Schmidheiny has no business interests, "so nobody can say he is playing his book." The Panamanian experience has already encouraged the Swiss to set about starting operations elsewhere and has attracted widespread attention.



Jorge Ortega and his wife were aided by Fundes with their electronic calculating machine repair business in Panama

John Wicks on a scheme for small ventures

Swiss fund for Panama projects

The Panamanian fund guarantees small loans of up to 20,000 balboas (1 balboa=$1) for up to five years. The guarantees cover up to 75 per cent of the loans and by mid-1986 covered credits totalling some 700,000 balboas. Little of this would otherwise have been granted to borrowers who had minimal collateral. The aspiring business people would in many cases have had to go to a naerer and pay up to 40 per cent interest a year—or more.

In the case of Salon Angel, an initial loan of 9,500 balboas was enough for Chacez to buy and re-equip his barber's shop. A second credit covered the expansion next door and the extension of his payroll to seven employees. El Cake needed 15,000 balboas to set up the business in a little bungalow and buy the necessary baking equipment and raw material.

Both Chavez and Cousins also made use of courses in business administraion recommended by the foundation and the national small-business association APEDE. Courses in subjects like book-keeping, marketing and personnel administration—to which participants are required to make a financial contribution "on principle"—are held in the evenings over a period of several weeks; most Fundes-backed entrepreneurs lack any kind of business experience.

Foundation spokesmen stress that their aim is to open up opportunities for new business and not distribute largesse. They also place a great deal of importance on the decentralisation of the Fundes model. In the specific case of Panama, the loans are granted by Panama experts and self-help is hoped to be strengthened by meetings of "experience groups" of people engaged in small business.

Fundes also says it has been extremely fortunate in obtaining Archbishop McGrath to preside over the Panamanian foundation. "We chose him not as a churchman, but as a personality," says Brugger. The Archbishop is both one of the leading worthies in the (non-liberation-theology) Catholic world of Latin America and one of the stablest figures in a country which has not always enjoyed the stablest politics. He also plays an important role in the local Caritas organisation, which is now helping to promote the Fundes programme.

Fundes has already spurned further assistance, the first being the Inter-American Development Bank in Washington, which this summer approved $500,000 worth of financing to help "low-income business persons" in Panama. Extended via the bank's programme for the financing of small projects, the money will be channelled through Fundes to benefit something like 200 entrepreneurs who have not had access to what the IDB calls conventional sources of credit. The funding has gone particularly to businesses located in Panama City and the towns of Colon, David and Chitré.

A share of $400,000 will be used by the foundation to set up a revolving credit fund, from which it will grant credits to finance working capital and fixed investments and to train management. The remaining $100,000 takes the form of a technical assistance grant to train Fundes personnel and strengthen its "financial and management procedures."

Another international body interested in the Swiss programme is the United Nations Industrial Development Organisation (Unido), of Vienna. During a September visit to Switzerland, director-general Domingo L. Siazon, Jnr, held discussions on possible co-operation with Fundes. Although no definite plans have yet materialised, Raymond Hêche of Unido's Zurich-based Investment Promotion Service says there is a "clear intention to establish links."

Another possibility could be some sort of support from the Swiss Government, whose efforts in the promotion of small business in the Third World already include co-operation with Unido. The "Small is Beautiful" approach which is an integral part of Swiss economic thought makes the Fundes concept of self-help and mini-enterprises naturally attractive.

"Our development aid should be concentrated on small projects," proclaimed Dr Max Affolter, president of the States Council External Affairs Committee, on his return from a recent visit to Latin America.

Affolter went to see Fundes projects while he was in Central America—and compared them favourably with "official" Swiss aid to Peru, where he claimed funds were being used to cushion national inflation rather than to benefit small businesses.

Dr Rolf Wilhelm, deputy director of the government's Directorate for Development Co-operation and Humanitarian Aid, welcomes another venture in this field. His department, which already works together with the Swiss contact training scheme in Latin America, has been interested in Fundes from the start, he says, and "is prepared to look at any concrete suggestions."

Whatever the case, the Swiss project seems to have picked a suitable place to start. IDB reports indicate that 90 per cent of all Panamanian businesses have fewer than 20 employees and 50 per cent fewer than five. And the failure rate to date is encouraging; only one in 20 projects.

A foundation has already been set up in neighbouring Costa Rica and there seems a good chance that this could receive help from Unido. Further countries are being looked at, initially Guatemala and Ecuador, while inquiries have also been received from Columbia and Bolivia. It is even possible that the Fundes programme could start up in Asia.

Exporting on a sound financial basis

Martin Posner concludes his series

THE VAST majority of exporters self-finance transactions by using their reserves or by using overdraft facilities. This may not be the most efficient use of their resources. A number of major banks, for example, can help exporters and there are other specialists who can also help smooth the path to funding overseas sales.

Barclays Bank has a Smaller Exports Scheme which enables traders not having ECGD credit insurance (insurance of debts) to obtain 100 per cent post-shipment finance. There is no minimum value but the maximum shipment should be under £200,000, the total export turnover should be under £2m, and the credit terms should not extend for more than 180 days from shipment. A negotiation fee of 2.5 per cent, and interest of 1.5 per cent above Barclay's base rate are charged on the value of the advance.

Hambros Bank operates a different scheme for financing exports. It will advance up to 90 per cent on post-shipment on any transaction above £5,000, provided the company's total exports exceed £1m a year. Traders must already be insured, or be willing to insure through ECGD. Hambros' charges may be negotiable and it has a team of advisers to help exporters. Further information from its Commercial Banking Division, 41 Bishopsgate, London EC2P 2AA (tel 01-588 2851).

The Midland Bank's smaller export scheme is again different. It will advance 100 per cent of the transaction for orders up to £100,000 where export turnover is under £1m. Charges of 2 per cent are made on each invoice but it only charges 1.5 per cent above its base rate for advancing the funds. Terms of up to 180 days may be negotiated (ECGD credit insurance cover is available to exporters which do not operate their own policy).

The bank also produces Foreign Exchange Advisory Service (FXAS) Marketing Commentaries which offer an ideal way of understanding the fluctuations of foreign exchange. They are produced and despatched daily. Further information from Midland International Banking Section, 110 Cannon Street London EC4N 6AA (tel 01-623 9393).

A further monthly publication, National Westminster Bank's International Review, highlights changes in the world economy. Some 58 countries are charted for strengths and weaknesses. Further information from 01-920 5944. And another publication which provides an invaluable understanding of the intricacies of exporting is Schmitthoff's Export Trade, by Professor Clive M. Schmitthoff, published by Stevens.

Factoring can be another useful facility. A service fee of between 1 and 3 per cent is charged on invoices. Depending on the terms of payment, the factor will advance up to about 75 per cent of the invoice value. The finance advanced fee is based on the actual collection period but is comparable with standard overdraft rates.

A further scheme is Exfinco, The Export Finance Company, which offers exporters immediate payment on shipment of goods and will eliminate exchange risks. Details on 01-626 9631.

Another way exporters can ensure they get paid is credit insurance. The Export Credits Guarantee Department (ECGD), is a government department which assists exporters of goods and services by insuring them against non-payment through default, or overseas government restrictions such as withdrawal of import licences. Many endorsements, including the essential pre-shipment cover which protects exports in the manufacturing period, and unfair calling of bonds cover, are available. Short term cover can cost from under 1 per cent, depending on the countries involved. Further details from: ECGD, Export House, 50 Ludgate Hill, London EC4M 7AY, tel 01-382 7000.

Trade Indemnity is the biggest private credit insurer in the country. It has a smaller exporter's policy for companies which have total exports of under £1m. There is catastrophe cover to protect against an abnormally large unexpected loss. The cost of a small policy is from £2,500, depending on risks and countries involved. Further details from: Trade Indemnity, 12-34 Great Eastern Street, London EC2A 3AX, tel 01-730 4311.

Worldwide information on credit insurance rates is compiled monthly by Jardine Credit Insurance for Euromoney Trade Finance Report (01-236 3288).

When coping with documentation and shipping a prime rule is to read and re-read instructions. Packing lists, certificates of origin, certified invoices, bills of lading and airway bills all have to be checked.

If Letters of Credit are required the terms and conditions must be understood and carried out to the letter. International banks have to reject over 70 per cent of all documents because of inaccuracies and the cost of this to exporters runs into many millions of pounds each year.

One organisation that can help is SITPRO, a government-sponsored body which helps companies to simplify export paperwork. It publishes a check-list and supplies a low cost SPEX2 computerised invoice and documentation system. Further information on 01-930 0532.

Finally, shipping arrangements can make or break a sale. Exporters should use professionally qualified freight forwarders. Help is available from the Institute of Freight Forwarders, Suffield House, 9 Paradise Road, Richmond, Surrey, TW9 1SA. Tel. 01-948 3141.

Martin Posner is a credit management consultant.

Advent eases tax burden by liquidation

ADVENT TECHNOLOGY, a pioneer of US-style hands-on venture capital in Britain, has just been wound up—but that is not as alarming as it sounds.

The fund, one of the three venture capital vehicles run by David Cooksey's Advent risk management group, has just been put into members' voluntary liquidation. This move is simply a clever technical trick to give investors liquidity in their shares without having to take the fund to the stock market as an investment trust, where the chances are that—irrespective of its real qualities—it would be valued at a discount to assets.

This is the first time that a British venture capital fund has used this technique and invites the question of whether the half dozen unquoted risk vehicles in Advent's position might follow a similar route. It certainly highlights some of the horrendous technical problems surrounding venture capital in the City of London.

For Advent Technology is among the first generation of US-inspired funds formed five years ago that set themselves up as simple UK registered companies—the easiest possible arrangement, they felt, for investors to grasp in what was then a new and poorly understood industry.

The only problem with that structure is that disposals get taxed twice, once when the fund sells shares and again when investors sell shares in the fund. More experienced US venture capital groups have sidestepped that pitfall by setting themselves up as limited life funds, fixing, for example, a period of 10 years, after which the fund will be broken up and shares in individual companies parcelled out to each investor.

Later UK risk funds have followed that example. But Advent Technology type vehicles are left with the problem of how to pass shares back to investors without paying tax unnecessarily.

One way round the problem is to become an investment trust. That would have been fine in 1981 when Advent Technology was formed because trusts were liked by the stock market and tended to trade at a premium to asset value. Now investment trusts have fallen from favour after a string of lacklustre performances, a situation made worse for venture capitalists by public investors' sometimes indiscriminate disillusion with anything carrying a technology tag.

The investment trust option was made all the more undesirable for Advent because its technology fund's recorded performance has so far been dull. The 29 companies in its portfolio were valued last March for the annual report at £14.8m, up from the fund's £10m book value five years previously. "It isn't a particularly happy performance," admits Cooksey, "but it's a lot better than a lot of people who started at the same time."

He hints that the valuation has risen strongly since March, partly thanks to three successful flotations in the portfolio. And to show that Cooksey is prepared to put his money where his mouth is, Advent has taken up in full the share options due to it in the fund, paying £2.5m for a 20 per cent stake.

William Dawkins

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The Financial Times is proposing to publish a Survey on
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on
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The advertisement copy date will be Thursday November 6 1986
For a full editorial synopsis and details of advertising rates, please contact:
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Tel: 01-248 8000
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Businesses For Sale

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All enquiries to A. W. Brierley or R. W. Trainor at:-
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St Pauls House
Park Square
Leeds LS1 2PJ
Tel: 0532 438222
Telex: 556472
Fax No: 0532 459240

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Tel: 021-236 9966
Telex: 337892

Cork Gully

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London WC2R 2NT
Tel: 01 438 3486
Telex: 8812711
Fax No: 01 836 7631

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* Plant machinery.
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* Goodwill and order book.

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Arthur Andersen & Co
1 Surrey Street
London WC2R 2NT
Tel: 01 438 3486
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Further details from: N. J. Hamilton and W. J. H. Elles, Ernst & Whinney, Becket House, 1 Lambeth Palace Rd, London SE1 7EU. Tel: 01-928 2000.

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Accountants, Advisers, Consultants.

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Trade: Leisure Department, London Office • Tel: 01-629 6700

Legal Notices

IN THE UNITED STATES BANKRUPTCY COURT FOR THE DISTRICT OF COLORADO

In re:
STORAGE TECHNOLOGY CORPORATION; and affiliated companies,
Debtors.
Chapter 11
Case No. 84-B-5377-J
(Joint Administration Case Nos. 84-B-5377-J through 84-B-5380-J, inclusive, and 84-B-5522-J)

In re:
STORAGE TECHNOLOGY LEASING CORPORATION, et al.,
Debtors.
Chapter 11
Case No. 84-B-04222-J
(Joint Administration Case Nos. 84-B-04222-J through 84-B-04234-J)

NOTICE OF (1) HEARING TO CONSIDER CONFIRMATION OF PLAN; (2) TIME FIXED FOR FILING ACCEPTANCES OR REJECTIONS OF PLAN; (3) TIME FIXED FOR FILING OBJECTIONS TO CONFIRMATION OF PLAN; AND (4) TIME FIXED FOR FILING OBJECTIONS TO THE ASSUMPTION OF EXECUTORY CONTRACTS PURSUANT TO THE PLAN

To All Creditors, Equity Security Holders and Other Parties In Interest:

PLEASE TAKE NOTICE that following a hearing thereon held on October 6, 1986, the United States Bankruptcy Court for the District of Colorado (the "Court") approved an Amended Disclosure Statement [illegible]

PLEASE TAKE FURTHER NOTICE that a hearing will be held on December 9, 1986, [illegible]

PLEASE TAKE FURTHER NOTICE [illegible]

PLEASE TAKE FURTHER NOTICE [illegible]

Storage Technology Corporation
Mail Drop 9G
2270 South 88th Street
Louisville, Colorado 80028.

[illegible]

The Center Organization
[illegible]
New York, New York 10038

PLEASE TAKE FURTHER NOTICE [illegible]

Bruce H. Spector, Esq.
Bruce Bennett, Esq.
STUTMAN, TREISTER & GLATT
Professional Corporation
3699 Wilshire Boulevard
Suite 900
Los Angeles, CA 90010

W. Dean Salter, Esq.
Stephen Snyder, Esq.
HOLLAND ROBERTS & OWEN
1200 Broadway, Suite 1900
Denver, Colorado 80290

Carl A. Eklund, Esq.
ROATH & BREGA, P.C.
1200 Lincoln Street
One United Bank Center
Suite 2222
Denver, Colorado 80202

OFFICE OF THE UNITED STATES TRUSTEE
[illegible]
Denver, Colorado 80203

John Richards Lee, Esq.
SECURITIES & EXCHANGE COMMISSION
219 S. Dearborn, Room 1204
Chicago, Illinois 60604

PLEASE TAKE FURTHER NOTICE [illegible]

Dated: Denver, Colorado
October 15, 1986

Bruce H. Spector, Esq. and Bruce Bennett, Esq., members of Stutman, Treister & Glatt
Professional Corporation
3699 Wilshire Boulevard
Suite 900
Los Angeles, California 90010
Telephone: (213) 251-5100

W. Dean Salter, Esq. and Stephen Snyder, Esq.
Holland Roberts & Owen
1200 Broadway, Suite 1900
Denver, Colorado 80290
Telephone: (303) 861-7000
Attorneys for Debtors

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Clark Whitehill & Co
Chartered Accountants
25 New Street Square, London EC4A 3LN.
Telephone: 01-353 1577. Telex: 887422.

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We are a Public Limited Company, seeking to expand by acquisition in the manufacturing or service sector. If you control a private company with profits between £200,000 pa and £500,000 pa and wish to realise in part or in full your investment, whilst retaining management responsibility for the immediate future, please write in first instance in confidence to:-

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Electronic instrument company presently trading into selected medical markets and having both UK and US engineering, production and sales facilities seeks a company with interests in developing the US and European markets for its products which may be instrumentation outside the medical field. Acquisition, joint venture or cross licensing options are available to the right company whose turnover should be in excess of £1m.
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Smoked salmon, trout, mackerel or delicatessen fish processing business for cash. To merge with existing successful business for expansion and market development.
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10 Cannon St, London EC4P 4BY

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Private company wishes to purchase a brokerage in London/Home Counties. Existing staff can remain if desired. The prospective purchaser can immediately inject profitable business and is seeking early expansion. All offers with full details (in strict confidence) to:
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UK based generic company wanted with an extensive UK product licence portfolio. Manufacturing resource not essential. Substantial funds available.
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PLC MERGER CONSIDERED
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Wishes to purchase part, whole, or access to, existing franchised organisation in the field of home improvement or maintenance.
Write Box H1331, Financial Times
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RETAIL SERVICE STATIONS
Overseas Oil Company
With substantial funds to invest wishes to purchase up to 500 Retail Service Stations in the UK
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Financial Times
10 Cannon St, London EC4P 4BY

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seeks interesting service orientated business in south of England with view to merger or takeover.
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SMALL TICKET-LEASING BUSINESS

We seek to purchase a Small Ticket Leasing Business. 100% or majority holding would be considered. Cash-Adequate funding available. Replies will be dealt with in the strictest confidence.
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SHIRT FACTORY WANTED
TO PURCHASE OR LEASE

with production capacity of 200/300 dozen high-quality shirts per week
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London WC2A 3AU

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10 Cannon St, London EC4P 4BY

EXPANDING UK TRAINING ORGANISATION

Wishes to acquire other Training Companies. Residential Training Centres are of interest.
Write Box H1328, Financial Times
10 Cannon St, London EC4P 4BY

CONTRACT HIRE

PLC with an existing contract hire business wishes to acquire a well managed company with a contract hire fleet of over 1,000 vehicles. Existing management retained.
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10 Cannon St, London EC4P 4BY

WANTED TO BUY REMOVALS COMPANY

with Storage/Warehouse operating in London or within 50 miles radius
Write Box H1343, Financial Times
10 Cannon St, London EC4P 4BY

COMPANIES WANTED
Plastics Manufacturing or related

Funds available from group of individuals for purchase of going concern — present profitability not an absolute requirement.
Write Box H1356, Financial Times
10 Cannon St, London EC4P 4BY

APPOINTMENTS

Michael Witt joins Merrill Lynch

Mr Michael Witt has been appointed European equity market strategist and manager of European research for MERRILL LYNCH EUROPE. He was with Chase Manhattan for 15 years and was chief international investment officer and global strategist for Chase Manhattan Bank in London from 1980. For the last year he has been portfolio manager and strategist for Capital International, in London.

★

Mr Roderick M. Collins (UK) has joined the board of DBI HOLDINGS INC. Mr Collins, a director of Matheson and Co, is responsible for its financial services activities. At Discount Brokers International (UK), a wholly owned subsidiary of DBI Holdings Inc, the board is as follows: Mr Gerard Troncin (France), chairman; Mr Christopher Browne (US), director (Mr Browne is president of Tweedy, Browne Inc.); Mr Roderick Collins, director; and Mr Jan Vroegop (Holland), director (Mr Vroegop is the general manager of Amro Bank, Amsterdam).

★

Dr Alan Bailey has been appointed medical director of BUPA MEDICAL CENTRE from January 1. He succeeds Dr William M. Dixon, who is retiring. Dr Dixon will continue as non-executive chairman of BUPA Occupational Health and as a non-executive director of BUPA Medical Centre.

★

Mr Herb Nahapiet has been appointed a director of MOWLEM MANAGEMENT. He joined in January as an associate director.

★

BET has appointed Mr Brian Thompson to its board from November 1, less than a year after he took over as chief executive of Initial, BET industrial services company. Mr Thompson was appointed chief executive of Initial in January of this year when Mr Ted Weston retired, some six months after the company's acquisition by BET.

★

GLANFIELD LAWRENCE has made the following changes to its board. Mr John Feltham has resigned as chairman and as a director. Mr Feltham, who is deputy chairman of The British Car Auction Group, was appointed chairman of Glanfield Lawrence on June 18 following the acquisition by BCA and other investors of a major shareholding in the company. It was always intended that he would step down when a full-time executive chairman was chosen. Mr Walter Dickson has been appointed a director and assumed the post of chairman. From January 1 he becomes chief executive. He has had a career spanning 25 years working for Mars, specialising in the field of product branding and marketing, eventually becoming executive president of Mars Europe. Mr Robin Jones has also been appointed to the board as a non-executive director. He has had many years' experience in corporate finance and will act as a consultant. Mr Hugh Holland, a director since June 18, will be responsible for business development. He is a director of a number of companies within BCA.

★

Mr Jeremy Lees has been appointed group deputy chairman of SEASCOPE INSURANCE HOLDINGS and head of the marine division of Seascope Reinsurance Brokers. He was managing director of Morgan Read and Colman (International) and prior to that was managing director of the reinsurance division of Paul Bradford and Co.

★

The BRITISH PRINTING & COMMUNICATION CORPORATION has appointed Mr Ian Maxwell as group marketing director. He was director of sales development.

★

Mr Stephen Bogira has been appointed group financial director of SWAN NATIONAL, and a director of its subsidiaries, Swan National Rentals, Swan National Leasing and Stardust and Camelot Holidays. He joins from Revel Shoes, where he was director of finance. Swan National was formed in 1973 and is now a wholly-owned subsidiary of TSB Group.

★

Mr Adam Charnaud, a banker, has been appointed director, financial sector, INBUCON MANAGEMENT CONSULTANTS.

★

Mr Frank Baldrey, formerly chief executive of the industrial division of BOC, has been appointed a director of THOMSON — ENGINEERING AND MANAGEMENT.

★

EVODE GROUP has appointed Mr A. J. Wain to the board as finance director. He was previously with Valor.

CONTRACTS

British aircraft for Swiss ambulances

Swiss Air Ambulance has ordered two BRITISH AEROSPACE 125-800 twin-engined jet transports. The order, valued at about £10m, calls for the aircraft to be delivered to Zurich for completion of the ambulance interiors.

★

JCB has placed an order worth £2.6m with McDONNELL DOUGLAS INFORMATION SYSTEMS for multiple computer-aided design and manufacturing (CADCAM) systems. The order is for 32 graphics design stations using advanced software and associated equipment. To be installed in four phases over a three year period, the systems will assist design staff and speed up development work on new models and components across the JCB product range. The first six terminals, four at the company's headquarters in Rocester, Staffordshire, and two at JCB Transmissions, Wrexham—which produces axles and gearboxes—will be installed by the end of the year.

★

MULTITONE COMMUNICATIONS INTERNATIONAL, the overseas division of Multitone Electronics, has secured from Taiwan a contract worth in excess of US$3m (£1m). The contract covers more than 20,000 radio paging receivers for use in the Taiwan wide-area paging system. The pagers to be supplied are of two different models. The first is the Multitone RPR302, tone-only pager. The second model is the recently released numeric display pager RPR322 which is already in use in several countries. The RPR-322 is believed to be the only numeric display pager available with 24 digits of information. Delivery will commence early in 1987 and will be completed in July.

★

FLINTAB WEIGHING of Runcorn, Cheshire, is to supply Davy McKee (London) with three 60 tonne weighbridges. They will be installed as part of a £84m development project at Norsk Hydro Fertilizers works at Immingham, Humberside. The weighbridges are concrete, surfacemounted and measure 18 metres by 3 metres. One will be installed under a tanker loading gantry, the others located on either side of the despatch office at Immingham, linked to Norsk Hydro Fertilizers' Immingham site computer system.

★

FIRST ARCHITECTURE has been awarded over £21m in contracts following the privatisation of the North West Thames Regional Health Authority Architects Department (NWTHA). projects are to provide planning design, project management and research services for health care facilities. A new company, First Hospital Architecture, has been formed by First Architecture to run the projects. The design team has been formed entirely of former staff of NWTHA, providing maximum possible continuity to enable projects in progress to continue smoothly.

★

STONE INTERNATIONAL's subsidiary Stone Saftey Corporation has won a contract from New York City Transit Authority (NYCTA) valued at US$9.6m (£6.6m). Safety will be supplying air conditioning and temperature control equipment for the 200 R-68 subway cars to be built by the French coachbuilder ANF-Industrie for NYCTA.

★

RADIOSYSTEM SWEDEN AB has been awarded a contract from the Dutch PTT for deliveries of NMT450 base station equipment for further expansion of the Dutch car telephone network ATF2 infrastructure. The total initial order is worth more than SKr 35m (£3.4m) for deliveries in 1987.

★

The Andra Pradesh State Electricity Board in India has awarded contracts worth around US$3m (£2.1m) for a total of 500 "PMR" SF6 automatic re-closer units, to joint venture partners BRUSH SWITCHGEAR of Loughborough (a Hawker Siddeley company) and its associates S & W POWER SWITCHGEAR of Madras, India. Funding will be made available from World Bank sources and delivery is planned to start by the end of 1986. The PMR units are expected to be the most technically advanced re-closers on the rural distribution system in India. Based on proven SF6 rotating arc technology, the pole-mounting units incorporate self-powered, CMOS-based microprocessor controllers. The equipment provides selective discrimination between permanent line faults and those of a transient nature—the most frequent sources of power interruptions on the rural system in India.

★

NEAGRON PLANT has ordered from RANSOMES & RAPIER, crawler-mounted lifting and grabbing cranes for its hire fleet, worth over £1m. The cranes include the first of the new 407 model, Andes C41B's and Orion HC80 lift cranes.

UK COMPANY NEWS

Nikki Tait on the background to PWS's £184m all paper bid for C E Heath

Turning the tables with a vengeance

Mr Derek Newton (left), chairman of C. E. Heath, and Mr Ronnie Ben-Zur, chairman of PWS Holdings

ONLY LAST month informal talks between PWS Holdings, headed by Mr Ronnie Ben-Zur and capitalised at £63m, and the £178m insurance broking to underwriting company C. E. Heath, left the latter pondering the merits of a bid.

Instead, Heath announced merger talks with Hambro subsidiary Fielding Insurance—and yesterday, Mr Ben-Zur turned the tables with a vengeance, unveiling a £184m all-paper bid for his rival.

"Opportunistic," muttered analysts and Heath directors alike, but the fact that Mr Ben-Zur was even able to contemplate such a move without being laughed out of court speaks volumes for C. E. Heath's current disarray.

PWS, in its current form, has existed for just six months. It was born from a merger last April between PWS International, a quoted Lloyd's group engaged principally in international reinsurance broking, and Howard Group, another Lloyd's broker which specialised in US domestic business and whose shares were trade on the Unlisted Securities Market. Mr Ben-Zur, previously chief executive of Howard, became chief executive of the combined group.

At the time of the merger Mr Ben-Zur was on the larger side—Howard was capitalised at around £87m, and PWS at £20m—but only thanks to a rapid acquisition trail throughout the 80s.

It was in 1980 when Mr Ben-Zur took control of the London-based insurance business which his father had started back in 1956. The following year, he acquired the broking interests of Hoveringham Group, including Lloyds broker C. Howard, and then, in 1984, an 80 per cent stake in a second Lloyd's business Anthony Popple & Co, buying out the remaining 20 per cent in 1985. That year a 51 per cent holding in US property broking business PCB was also added.

Yesterday, PWS estimated that its pre-tax profits for the year to end-September would be around £8.3m, with brokerage income running at around £15.5m. Even so, that brokerage income is less than one-half C. E. Heath's, and the profits total perhaps one-third of its target. So why can it presume to bid?

Heath's problems fall into four categories—and hit right across its business. Profitwise, business last year was split almost equally between broking and underwriting interests.

On the brokerage side, the dominance of US property and casualty business brought hefty currency losses so that, at the operating level, there was little improvement to £14.7m. Worse: this summer, key employees left to join the rival Stewart Wrightson group.

The underwriting side has fared no better. In the past, a major profits contribution came from workers compensation business in Australia. This, however, is now being nationalised, costing the company around £4m in lost profits last year and a further £4m in the current twelve months. Overall, pre-tax profits in 1986/7 are expected to be just £23m-£25m, against £32.6m last year.

Trading-wise, the brightest spot on the underwriting side has been Pinnacle Reinsurance, a Bermudan-based subsidiary. But there is an equally black cloud on the horizon in the shape of a $1bn lawsuit being brought by the liquidator of a failed Bermuda insurer, Mentor.

Although liability has been stoutly denied by the Heath board, the parties are currently tussling over whether the case should be held in American or Bermudan courts — with no benefit to the Heath share price.

Heath, moreover, is itself involved in a second lawsuit—this time it is claiming £6m from Ceram Holdings, a Gibraltar-based company, to which it sold a subsidiary Motolease in 1982.

And, last but not least, there is Heath's past failure to find a partner to help it out of the woods.

Merger talks with Hogg Robinson broke down in May last year — with Heath's commitment to its underwriting side given as the principal explanation. Then in June this year talks with Dewey Warren, a smaller insurance broker, also foundered.

Earlier this month, help finally appeared to be at hand in the form of Fielding Insurance—an 81 per cent owned subsidiary of Hambros. Talks were — and still are — continuing, with Heath offering to buy Fielding on a share-for-share basis, giving Hambros a 20 per cent-plus stake in the combined company.

It was the Fielding move, which appears to have forced Mr Ben-Zur's hand. "If we hadn't bid now," he said yesterday, "Heath might not be available in six months' time."

The fit of the businesses, he claims, "is almost perfect." Looked at more dispassionately, analysts believe that Mr Ben-Zur's reputation as an extremely able manager might give Heath some of the corporate strength it rather patently lacks.

On the broking side, PWS clearly has significant US interests which could dovetail into Heath's and stem the damage from the loss of staff—though even here doubts are expressed in terms of precise business overlap.

What is less clear is how the underwriting side of Heath fits into Mr Ben-Zur's plans. "We would need to look at this carefully," he said yesterday. "If it doesn't fit in with our criteria for future profits growth, we will sell it."

Management, he added, would be given the option of first refusal.

Whether management — or anyone else—would be a ready buyer for a group of companies including Pinnacle's potential legal problems, is less obvious.

At present, as yet—unpublished Fielding proposals and PWS's bid are the only solutions on the table.

But gossip among analysts suggests that other bigger fish—like Citicorp or Jardine Matheson—might possibly like a slice of the action. And that is something long-suffering Heath shareholders might really welcome.

Maxwell delays decision in Norton bid

By David Goodhart

Norton Opax's unwanted £150m bid for fellow printing group McCorquodale, due to close tomorrow, looks set to be another corporate cliff-hanger, with Mr Robert Maxwell playing a key role.

Mr Maxwell increased his stake in McCorquodale yesterday by 375,000 shares, taking his holding to more than 10.5 per cent and has indicated that he will leave a decision on whether to sell to Norton Opax until the last day.

He originally acquired his stake in order to block a possible merger between McCorquodale and Extel. Mr Maxwell has a 26 per cent stake in Extel and has been stalking it for some months.

Now that the "white knight" talks between Extel and McCorquodale have been called off Mr Maxwell may be continuing to build his stake on the assumption that Norton will win and he will then have a good claim on any part of McCorquodale that is sold. Some analysts believe however that he may wish to block a Norton-McCorquodale merger fearing the competition from a combined group.

If Norton gets close but does not quite reach the 50 per cent mark it is expected to extend the bid although it had hoped to save time and money with a short bid period.

F. Cooper buys three electrical businesses

By Mike Smith

Frederick Cooper, the Wolverhampton steel processing company, is buying three electrical product manufacturers for an initial total of £1.53m.

It will pay the equivalent of £1.14m in new shares for Evans Electrical, the cable maker which made pre-tax profits of £196,000 on sales of £1.26m in the year ended August, and for Consell Engineering, maker of neon lights and plugs which made £28,000 on turnover of £168,000 in the 12 months to August. Further payments may be made depending on the companies' profitability.

Cooper is paying £225,000, through the placement of new shares, for Accurate Controls, the temperature controls instruments group, which in the year to September showed profits of £29,000 on sales of £298,000. It is buying the freehold premises of Accurate Controls for a further £160,000 in cash.

In the year ended July, Cooper directors estimate pre-tax profits at more than £350,000. Items previously classed as exceptional have been reclassified following a review by auditors. Extraordinary losses for the year are now estimated at about £1.43m before the effects of tax. Most of this was accounted for by closure costs.

Ranger Oil UK bids £11m for lossmaking Berkeley Exploration

BY RICHARD TOMKINS

Ranger Oil (UK), the British arm of the Canadian-based Ranger Oil, yesterday announced a £11m bid for Berkeley Exploration and Production, the loss-making British independent oil company which is quoted on the USM.

Berkeley described the bid as wholly inadequate and advised shareholders to take no action pending the receipt of Ranger's formal offer document and the Berkeley board's response.

Speculation about a bid had been rife since the beginning of the month when it became clear that Petrofina, the Belgian oil company, had asked Morgan Grenfell, the British merchant bank, to find a buyer for its 20.47 per cent stake in Berkeley.

Petrofina acquired the stake when it bought Charterhouse Petroleum last year.

Ranger confirmed yesterday that an associate had bought the Petrofina stake for an undisclosed sum and that other share purchases had taken its total holding to 29.3 per cent.

It is making a cash offer of 45p a share for the rest of the equity, putting a value of £10.98m on the company.

Its advisers, the merchant bank N. M. Rothschild, said this represented a premium of 40.6 per cent to Berkeley's market price of 32p immediately prior to Press speculation about the possibility of an offer on October 5, and a premium of 18.4 per cent to Berkeley's closing price of 38p last Friday.

Berkeley closed 8p up at 46p yesterday.

Ranger Oil is listed on the London, Toronto, New York and Pacific stock exchanges and has a market capitalisation of about £200m. Net income in the six months to June fell from £6.2m to £5.6m. Its shares closed 17p up at 305p.

Ranger Oil (UK), like Berkeley, has extensive North Sea interests, and believes that its cash resources and technical and operating staff will allow Berkeley's interests to be developed more effectively.

Berkeley last week announced pre-tax losses of £1.7m for the six months to June compared with pre-tax profits of £1.7m.

It is advised by Samuel Montagu, the merchant bank.

Combined Technologies recovery shows through

Combined Technologies Corporation's interim report reflects the improvement that has been by discontinuing expenditure in high-technology and converting its interests into significant minority holdings in its different technologies.

Pre-tax profits for the six months to September 30 1986 were £1.45m. Comparative figure of £1.15m has been restated to reflect the impact of discontinued activities and financing arrangements already concluded or anticipated for the technology activities, and is compared with a loss of £2.98m previously shown, directors stated.

The company's principal activity is now the holding of major motor vehicle distributor franchises, the major company being Trimoco.

Subject to Court approval Comtech's proposed capital reconstruction, the directors expect to pay a dividend in July 1987 of not less than 0.5p per share gross.

Mr James Longcroft, chairman, stated that the combination of dividend flow supported by a strong and profitable Trimoco, and the potential of the technology holdings made the prospects for the reorientated company excellent.

In September, Comtech announced a rights issue in Convertible stock in its Comtech Finance subsidiary. It is proposed to change the group name to Trimoco.

Turnover in the half year rose from £64.24m to £96.17m; tax took £455,000 (£300,000) while expenditure en discontinued technolegy activities fell from £2.4m te £1.4m. There were ne losses on discontinued commercial activities this time (£599,000 fer the corresponding period) leaving a loss per 10p share of 0.5p (2.9p).

Harris Queensway sells £70m hire purchase debt

BY CHARLES BATCHELOR

Harris Queensway, the home furnishing stores group, has "sold" the bulk of the £70m worth of hire purchase debt owed by customers of Times Furnishing and Pennant Home Furnishers to Lombard Tricity Finance for an initial £65m.

Harris took on the debt when it bought Times and Home Charm from Great Universal Stores (GUS), the mail order and stores group, for £146m last July.

The debt has now been transferred to Impact Financial Services, a subsidiary of Lombard, which in turn is part of National Westminster Bank. The remaining debt will be transferred by the end of this month.

Existing Lombard credit business which is already generated through Harris stores will also be transferred to Impact, which will provide consumer finance and related services to Harris customers under a long-term agreement.

Impact will be based in Nottingham and will employ staff who previously worked in consumer finance for Times and Pennant.

Priest Marians and Lincroft near merger

Talks between Priest Marians, the property company, and Lincroft Kilgour, the textile and investment group, over an agreed bid are reported to be progressing well.

The bid terms are expected to be 11 Priest shares for every 10 Lincroft, with a cash alternative of 245½p per Lincroft share. The cash offer values Lincroft at £11.2m.

Priest Marians first purchased 28.48 per cent of Lincroft in August increasing its stake to 29.98 per cent shortly afterwards.

Brent Walker pays £6m for leisure companies

BY ALICE RAWSTHORN

Brent Walker, the leisure group, yesterday announced the proposed acquisition of three companies all involved in the amusement and gaming machine industry—Brent Leisure, Ale & Pie and Wilts Automatics—in a deal worth up to £6m.

All three companies are primarily involved in the importing, manufacturing, hiring and marketing of amusement and gaming machines. The largest of the three, Wilts Automatics, produced pre-tax profits of £172,000 in its last financial year; Ale & Pie made £5,767; and Brent Leisure mustered £61,000.

Brent Walker has agreed to acquire the companies for an immediate payment of £1.5m in cash and £1.5m in the issue of 750,000 shares at 200p each. In addition it has agreed to pay a performance related payment of up to £3m. The company's shares rose by 2p to 199p on the announcement yesterday.

Since its appearance on the stock market a year ago Brent Walker has concentrated expansion on property development with ambitious leisure projects such as the Brighton Marina scheme and its plans for the Southend Island Marina.

Reuters US expansion

Reuters Holdings has signed an agreement to acquire for US$7m (£4.9m) Network Utilities, a private company based in Chicago, Illinois. Network, which provides real-time analytics for securities and option traders, earned pre-tax profits of $696,200 (£487,000) on revenues of $3m for the year to May 31 1986.

At the same time Reuters has also reached agreement to acquire for US$575,000 (£402,000) the assets of Reveal Software, of Roslyn New York which provides a portfolio management software package for registered representatives and investment managers.

Eglington/Osceola

The Stock Exchange has corrected its notification of the Eglington/Osceola Hydro-carbons merger terms. The Exchange initially announced, and the FT reported, last Thursday, that Eglington was offesing 22 of it shares for 30 Osceola, plus warrants, whereas the correct figure is 22 shares for 20 Osceola, plus warrants.

North Sea Assets

As at September 30 1986 the net asset value of North Sea Assets was 81.7p, compared with 92.8p at June 30, and 132.2p at September 30 1985. The dividend for the year is omitted, last year's being 0.5p.

The directors said that they have tried to ensure the overall decline in net asset value fairly reflects current trends in the oilfield service sector, while at tha same time keeping in mind, where appropriate, the prospects for recovery.

BOARD MEETINGS

The following companies have notified dates of board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not available as to whether the dividends are interims or finals and the sub-divisions shown below are based mainly on last year's timetable.

TODAY

Interims:— Ambrose Investment Trust, British and Americas Film, Osnaltron International, Derwent Valley, First Charlotte Assets Trust, Hughes Food, Walter Runciman, Silentnight, Wettern Brothers.

Finals:—London and Provincial Shop Centres, Prestwick.

FUTURE DATES

Interims:—

Avana	Nov 19
Bank of Ireland	Nov 13
Boot (Henry)	Oct 30
Capital Gearing Trust	Oct 30
Channel Tunnel Investments	Oct 29
Chepstow Racecourse	Oct 28
Clarkson (Horace)	Oct 30
Hille Ergonom	Nov 28
NEC	Oct 28
Norscot Hotels	Oct 23
Redland	†Oct 30

Finals:—

Klark-Teknik	Oct 27
Next	Oct 28

DIVIDENDS ANNOUNCED

	Current payment	Date of payment	Corresponding div.	Total for year	Total last year
Bridgend Group ...int	0.2	Jan 5	nil	—	0.35
Clayform Props. ...int	2.5†	Dec 23	nil	—	5
Elson & Robbins ...int	2.02	—	2.02	—	—
Highland Distill	1.56	Jan 6	1.42	2.18	1.98
John J. Lees ....int	1	Dec 12	0.5	—	2
Lowland Invest.	2.4	Dec 20	1.8	3.6	2.8*
Manganese Bronze	3.2	—	3	3.2	3
Snowdon & Bridge int	1‡	—	—	—	1
Usher-Walker ......int	2.45	Dec 5	2.2	—	7.3

Dividends shown in pence per share net except where otherwise stated. * Equivalent after allowing for scrip issue. † On capital increased by rights and/or acquisition issues. ‡ USM stock. § Unquoted stock. ¶ Irish pence throughout.

COMPANY NEWS IN BRIEF

GOODHEAD PRINT has bought W.H.Y. Publications for £720,000, satisfied by the issue at par of loan notes redeemable in tranches over the period to January 11, 1988 and carrying interest equal to Midland Bank Base Rate from time to time.

WHY publishes three weekly advertising publications, circulating in Alcester, Stratford, Warwick, Leamington and Solihull. Its consolidated pre-tax profit (excluding directors' remuneration and extra-ordinary items) for 1985 was £79,532; net tangible assets totalled £56,558.

ALLIED-LYONS' shareholders yesterday voted in favour of the acquisition of e majority interest in Hiram Walker-Gooderham and Worts, the Canadian drinks business.

ELSON & Robbins, manufacturer of Duflex spring and spring assemblies for seating and mattresses, suffered pre-tax losses of £213,000 for the six months ended June 30 1986, compared with profits of £246,000 previously. Turnover amounted to £8.69m (£8.24m). After tax credits of £36,000 (£53,000 charge) losses per share were given as 1.8p (1.7p earnings) while the interim dividend is unchanged at 2.02p.

COALITE and its advisers, Morgan Grenfell, have raised their stake in fuel distribution company, Hargreaves, to 9.46 per cent. The bankers announced yesterday that they had purchased a further 780,000 shares — 2.15 per cent — in Hargreaves, at 270p a share. Coalite is currently waging a £98m hostile bid battle for Hargreaves, which closes on November 2.

ASTRA Industrial Group has acquired Pathquint, a property investment concern for £509,409, e sum equal to its net asset value. The consideration will be 6.85m ordinary shares and the issue of a loan note in the sum of £166,909 at 8.5 per cent interest.

THE KOREA DEVELOPMENT BANK

(the "Issuer")

NOTICE

to the holders of the outstanding

US$30,000,000

FLOATING RATE NOTES DUE 1989

of the Issuer (the "Notes") of the

EARLY REDEMPTION ON 5th DECEMBER, 1986

of all of the Notes by the Issuer

NOTICE IS HEREBY GIVEN to the holders of the Notes that, in accordance with Condition 6 (b) of the Notes the Issuer will redeem all of the Notes then outstanding on the next interest payment date falling on 5th December, 1986 (the "redemption date"). The Notes will be redeemed at their principal amount plus interest accrued to the redemption date. Interest on the Notes will cease to accrue from the date of redemption and coupons maturing after the redemption date will be void.

Payments of principal will be made on or after the redemption date at the specified office of any of the Paying Agents listed below against surrender of the Notes.

Notes will become void unless presented for payment within a period of five years from the redemption date.

Manufacturers Hanover Limited
7 Princes Street, London EC2P 2EN

Manufacturers Hanover Trust Company
UIC Building, 21st Floor, 5 Shenton Way, Singapore 0106

Manufacturers Hanover Trust Company
450 West 33rd Street, New York, N.Y. 10015

Manufacturers Hanover Trust Company
Stockerstrasse 33, 8027 Zurich, Switzerland

Manufacturers Hanover Bank Luxembourg S.A.
39 Boulevard Prince Henri, Luxembourg,
Grand Duchy of Luxembourg

Manufacturers Hanover Limited
Fiscal Agent

21st October, 1986

UK COMPANY NEWS

Hanson sells US offshoot to Hitachi Zosen

BY CHARLES BATCHELOR

Hanson Trust, the diversified industrial holding company headed by Lord Hanson, is selling Clearing, a US manufacturer of metal presses, to **Hitachi Zosen**, the Japanese shipbuilding and heavy engineering group, for $64m (£45m).

Clearing was acquired by Hanson in 1984 as part of its acquisition of US Industries, e Connecticut-based manufacturing group. It made a pre-tax profit of $3.9m on turnover of $39m in the year ended September 1986. It had a net asset value of $64m at that year end.

Clearing, which is based in Chicago Illinois, has had a long-standing relationship with Hitachi Zosen and has been making presses for the automotive industry from their designs since 1955.

The Clearing sale is the latest in a long series of disposals of parts of the companies Hanson has acquired in takeover bids in recent years.

Earlier this month it announced the sale of Golden Wonder, the former Imperial Group crisp and snack business to Dalgety for £87m.

Since acquiring US Industries for $531m in May 1984 Hanson has sold about seven of the company's 30 profit centres, to raise between $125-150m. Mr Martin Taylor, e Hanson director said.

Hitachi Zosen, which has no links with Hitachi, the diversified Japanese group, will pay 40 per cent of the purchase price in cash and the remainder in two-year notes. The deal will be completed in November.

Hanson has continued to dispose of small parts of US Industries operations over the past year or so but ettention has been focussed on the sale of parts of Imperial and SCM, the US conglomerate bought for $930m last December.

Last September, Hanson sold Courage brewers (part of Imperial) to Elders IXL for £1.4bn while in August it disposed of Glidden Paints, for $580m, to ICI.

US group reviews tie-up with Lex

By Alice Rawsthorn

Lex Service, the motor and electronics distribution group, yesterday announced that National Semiconductor is reviewing its relationship as a supplier to Schweber, Lex's largest subsidiary in the US semiconductor distribution field.

National has taken the decision to review its role as a supplier to Schweber because of a perceived conflict of interest in Schweber's decision to distribute the products of one of its competitors, Texas Instruments.

Schweber has ceased to distribute Netional's products in eight of its 32 locations in the US. According to Lex it does not know whether National will terminate its agreement to supply other Schweber locations.

In 1985 National is thought to have provided ten per cent of Lex's $400m turnover in the US electronics industry. Lex hopes that, in the long term, Texas Instruments' products will generate roughly double the sales of National.

In the last two years Lex has had a rough ride in the US. Its semi-condnctor interests have fared badly in the US electronic slump. This summer the company diversified into the less vulnerable area of connectors, with tha acquisition of Richey/Impact Electronics, in order to reduce its exposure to semi-conductors.

Lex's US electronics interests operated at a loss of £200,000 in the first half of this year, but had been nursed back to break-even by the end of the interim period and are now thought to be producing a modest profit.

Davidson Pearce in agreed £12m bid

BY CLAY HARRIS

Davidson Pearce Group, holding company for Britain's seventh largest advertising agency, is to merge with **Counter Products Marketing** (CPM), the sales promotion and marketing services concern. The combined group will hava a market capitalisation of £31m.

The offer by Davidson Pearce values CPM at £11.53m. Davidson Pearce is to issue np to 7.69m new ordinary shares, approximately 37.2 per cent of the enlarged share capital, and to offer threa of these shares for every four CPM ordinary shares. It bas received irrevocable acceptances from directors and major shareholders representing more than 54 per cent of CPM shares.

Davidson Pearce shares closed 3p down at 150p yesterday, and CPM shares advanced 10p to 110p.

Both companies came to the market last year, Davidsou Pearce to a full listing with an offer for sale that valued it at £20.8m, CPM to the USM with a share placing that valued it at £12.8m.

Tha US-based Ogilvy Group, Davidson Pearce's parent until a management-staff buyout of 60 per cent of the equity in 1983, will see its holding fall further from 23.5 per cent to less than 15 per cent of the combined group.

The Davidson Paarce agency and CPM's sales promotion side will continue to be run separately by their present managements, but the company expects increased referral of clients between the two.

The advertising agency is expected to account for two-thirds of profits, but Mr Hawes, who will head the combined group, emphasised: "It's an equality of skills that is being brought together." Mr Richard Morris-Adams, CPM chairman, will become deputy chairman of Davidson Pearce.

CPM ranks in tha top ten in UK sales promotion, while Davidson Pearce in recent years has added prestige clients such as Marks and Spencer, Fiat and Robert Bosch to its veteran tea-drinking stars, Brooke Bond Oxo's PG Tips chimps.

Davidson Pearce last month reported interim pre-tax profits up 14 per cent to £1.3m, on turnover 11 per cent ahead at £30.74m.

CPM lifted pre-tax profits by 3.6 per cent to £602,000 in the first half on turnover of £5.89m, a 22 per cent advance.

PPI to list HK arm

Polly Peck International, the fruit packaging, electronics and mineral bottling group, plans to list its Hong Kong subsidiary on the colony's stock exchange within the next year. It announced its intention at the same tima as the acquisition of Impact Textiles, a Hong Kong-based garment trading company, for HK$61.5m (£5.5m).

Impact buys Asian-mada clothes and shoes and sells them to European multiples and mail order houses. In the year to March 31 1986 it made after-tax profits of HK$13.4m (£1.2m) on turnover of HK$254m (£22.8m).

Polly Peck also announced its intention to buy out the 50 per cent outside interest in Shui Hing, a Hong Kong textile company.

John Lees doubles to £0.2m

John J. Lees, confectionery manufacturer, more than doubled its profits in the first six months. The third quarter had started well and the directors were encouraged by the prospects for the remainder of the year.

Turnover for tha half year to September 30 improved from £1.82m to £2.39m and profits from £100,951 to £213,300 pre-tax.

After tax of £69,953 (£18,468) and minorities of £14,358 (£10,135) earnings amounted to 6.45p (3.62p) per 10p share. The interim dividend is doubled to 1p net.

The group benefited from growth in its business and manufacturing efficiency.

Wapping hits Usher-Walker

BY NIGEL CLARK

THE DISPUTE at News International's plant at Wapping, East London has continued to affect the results of Usher-Walker, printing ink and roller manufacturer. Pre-tax profits were down 6 per cent at £325,000 against £346,000 and Mr Peter Walker, chairman and managing director, said that profits would have been quite a lot higher but for tha dispute.

However, he added that sales to newspapers generally had been quite buoyant. The company was supplying most of the ink for the Daily Telegraph's new web offset printing plants and for the contract printing of The Independent.

As the market leader in the sector, Mr Walker said thet the company was hoping to benefit further from the increasing use of web offset printing by newspapers. He was also hopeful of being able to recover sales to News International when the dispute was settled.

Turnover for the period was up at £5.54m, against £5.34m. Earnings per 10p share came out at 8.36p (8.24p) and an interim dividend of 2.45p has been declared against 2.2p last time. There was a total payment last time of 7.3p on pre-tax profits of £845,000.

Mr Walker said that in the present half some improvement in margins was anticipated together with an increase in sales volume.

The tax charge was £145,000 (£169,000) and dividends absorbed a total of £54,000 (£48,500).

NOBLE and Lund, machine-tool and flat-pack furniture group, said yesterday that 2.05m ordinary shares (29.46 per cent), of its issued share capital, had ben placed with institutional and other investors. Quilter Goodison placed the shares at 105p on behalf of Gild Investments. Noble's shares closed yesterday at 108p, down 6p.

GRANVILLE

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Member of Fimbra

High	Low	Company	Price	Change	Gross div.(p)	Yield %	P/E Actual	P/E Fully taxed
146	118	Ass. Brit. Ind. Ord.	133	—	7.3	5.5	8.1	7.6
161	121	Ass. Brit. Ind. CULS	130	—	10.0	7.7	—	—
125	43	Airsprung Group	96	—	7.6	7.9	6.0	5.4
46	28	Armitage and Rhodes	37xd	—	4.2	11.4	5.2	4.7
197	108	Bardon Hill	197	+1	4.8	2.3	22.4	20.5
83	42	Bray Technologies	83xd	—	4.3	6.2	8.8	8.0
201	75	CCL Ordinary	96	+1	2.9	3.0	6.9	10.7
152	86	CCL 11pc Conv. Pf.	89	—	15.7	17.6	—	—
263	80	Carborundum Ord.	263	—	9.1	3.6	12.2	12.8
94	83	Carborundum 7.5pc Pf.	91	—	10.7	11.8	—	—
146	46	Deborah Services	146	—	7.0	4.6	16.2	20.0
32	20	Frederick Parker Group	23	—	—	—	—	—
126	50	George Blair	100	—	3.8	3.8	2.6	3.7
92	20	Ind. Precision Castings	92	—	6.7	7.3	8.2	6.1
218	152	Isis Group	152xd	—	18.3	12.0	8.7	8.8
128	101	Jackson Group	128	—	9.1	4.8	8.7	7.8
377	228	James Burrough	370	—	17.0	4.6	10.4	8.5
100	85	James Burrough 9pcPf.	92	—	12.9	14.0	—	—
1035	342	Multihouse NV	840	—	—	—	44.0	57.4
380	260	Record Ridgway Ord.	379	—	—	—	6.8	11.7
100	87	Record Ridgway 10pcPf	87	—	14.1	16.2	—	—
90	32	Robert Jenkins	90	+1	—	—	4.0	5.6
38	36	Scruttons "A"	36	—	—	—	—	—
126	66	Torday and Carlisle	126xd	—	5.7	4.5	7.6	7.7
370	320	Trevian Holdings	322	—	7.9	2.6	6.7	6.8
70	26	Unilock Holdings	69	—	2.8	4.1	12.7	11.8
102	47	Walter Alexander	97xc	—	5.0	6.1	9.3	8.9
226	190	W. S. Yeates	197	—	17.4	8.8	19.7	21.8

Highland Distilleries checked by high tax

WITH THE home market for the sala of Famous Grouse whisky increasing, Highland Distilleries lifted its turnover by 6.6 per cent to almost £108m in the year ended August 31 1986.

Operating profit rose from £7.87m to £8.53m and the profit before tax from £9.5m to £10.3m, equal to growth of 8.3 per cent and 8.5 per cent respectively.

After higher tax, however, earnings were again 5.2p. Tha final dividend is 1.562p for a net total of 2.178p (1.98p).

The tax rate of 38 per cent—or 52 per cent on e replacement cost basis—was the highest effective rate the company had been subjected to in tha past two decades, said Mr John Macphail, the chairman. "So much for the lower taxation syndrome," he added.

Home sales of Famous Grouse rose 4 per cent against tha industry's 3 per cent. Volume was maintained in Scotland, the growth coming from south of the border.

Mr Macphail said that was encouraging, particularly considering the growth of the secondary and sub-norm sectors of the market, which had estimated to have increased to 49 per cent of the market, compared with 38 per cent four years ago.

Export sales were at similar volume levels to last year with both the US and Europe showing increases, whereas Australia and a few minor overseas markets fell somewhat below expectations.

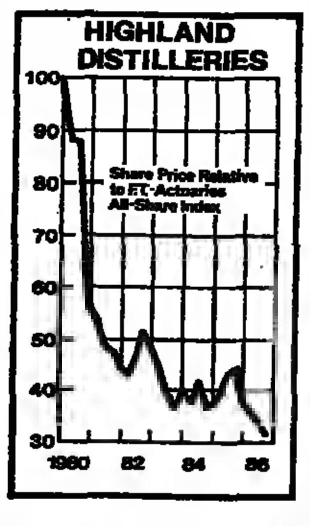
Sales of new fillings were much the same, although the malt fillings markets continued to be soft. Matured sales showed an increase in volume.

Consequent upon an easing of warehouse requirements in recent years, a study was taken to see whether the growing of mushrooms in one of the warehouses was viable.

As a result it was decided to go into the mushroom business on a relatively modest scale. It was expected that initial supplies would become available in late 1987.

The tax charge for the year was £3.93m (£3.13m) to leave the net profit at £6.39m (same).

Expenditure on fixed assets in the year totalled £1.78m (£1.25m).



● comment

Down in the Glen something's stirring. In one place it's eels that now wriggle their way through an abandoned whisky warehouse; et Highland Distillers the board have fallen victim to the magic power of the tartan mushroom. The reason? A solid business with £5m in the bank needs to find a way of spending its money because it can't persuade the market to drink much more whisky. While voluma sales are almost static, Highland goes on adding to its stockpile and complaining more vociferously than ever that the taxman takes too much — a sentiment with which any regular imbiber would readily agree. Opportunities to diversify exist but have to be based on more serious business considerations than the plague of foreign fungi reaching Scottish tables. With ownership locked up, until December 1989, behind e "poison pill" arrangement, it is not surprising that the analysts, who were a little disappointed with the figures and even more put out by the statement, are looking to lighten holdings. Forecasts have been shaved to £11m for 1986-87 and the shares closed down 3p at 68p.

Manganese £3.8m taxi write-off

MANGANESE BRONZE, the holding company with interests in vehicle manufacture, metal components and aluminium fabrications, increased its pre-tax profits by £275,000 to £2.36m in the year to July 31 1986. But this was before an extraordinary debit of £3.76m mainly due to a write-off of all taxi tooling.

Although the reduction in the profit and loss account was substantial, the board stated, it was essentially good news because at the same time the vehicle division was relieved of the need for further sizeable capital expenditure.

Turnover for the year rose from £44.55m to £46.84m and profit on trading was £3.31m (£2.94m); interest took £946,000 (£857,000) and tax £747,000 (£615,000) leaving earnings of 9.7p (9.07p) for the 25p ordinary shares.

The dividend is increased from 3p to 3.2p.

● comment

Travellers who are baffled by unexpected "extras" on the taxi meter will feel at home with these accounts from Manganese Bronze. The eye meters quite happily past the trading and pre-tax profit figure but screeches to a sudden halt when confronted with the £3.8m write-off below the line, which springs from the shelving of the CR6 taxi. Despite the company's brave face—"the vehicle division is relieved of the need for sizable further capital expenditure"—the loss of the CR6 can only raise doubts about the long term growth prospects of the taxi business. These doubts are given further impetus by the proposed entry of Metro-Cammell Weymann into the taxi market. However, the foundry and powdered metals divisions are chugging along contentedly and pre-tax profits could edge up to £2.5m this year. The shares at 63p are on a prospective p/e of 6, reflecting the uncertain growth prospects.

LOWLAND INVESTMENT COMPANY — final dividend 2.4p, making 3.6p for year ended September 30 1986. Dividends adjusted to 2.8p were paid the previous year. Earnings per share rose from 3.19p to 3.85p. Net asset value at par came out at 146.6p (101.7p) and at market value 147.2p (101.4p). Tax charge rose from £337,724 to £384,742, leaving net revenue at £903,327 (£750,308).

Halved oil prices leave Sovereign with £9.7m loss

A STEEP fall in oil prices has prompted a sharp decline in the fortunes of Sovereign Oil & Gas, the independent North Sea oil and gas exploration and production company.

In the six months to June 30 the company recorded a loss before tax of £9.74m against a re-stated profits of £7.05m.

The average oil price received by the company in the half-year was £11.09 a barrel, less than half tha £22.91 a barrel realised in the same period last year. Oil sales during the period rose to an average of 5,635 barrels a day from a re-stated 1985 average of 5,452 barrels a day.

Turnover dropped sharply from £23.33m to £12.33m end interest receivable was reduced to £518,000 from £564,000. Interest and financing costs rose to £1.54m (£1.24m). The accounts include a deferred tax credit of £2.75m against a charge of £3.39m.

The directors said thet in view of future uncertainties and the level of activity anticipated they have increased tha level of exploration costs written off which includes the cost of the re-structuring of the contractual arrangements relating to the Sovereign Explorer deep-water semi-submersible drilling rig. A review of the carrying value of the company's other assets in the balance sheet has been deferred until the year-end.

Development activities on the fully-financed North Brae field and on South East Forties continued on schedule and a Emerald field should be made by the year end. The South Brae oilfield performed excellently and is currently meeting the company's expectations, with output maintained at 110,000 barrels a day. Forties production averaged a better-than-expected 387,800 barrels a day. Claymore production, reflecting the June shutdown and tie-in of the Scapa facility, averaged 77,000 barrels a day.

● comment

Sovereign Oil gets to look more and more like a South American debtor stete every set of figures. So deferred are the payouts under the non-recourse financing arrangements with Marathon for the Brae field that it has become "safe" for the company to assume that no repayments will ever be made. Out of the balance sheet therefore and into the profit and loss account. The company's albatross, the $140m Explorer rig, is now safely caged for the duration (or 1992, when the £10m bullet payment falls due). And then there is the jewel in Sovereign's crown—Emerald—plans for the development of which should be laid before partners within a couple of weeks. Analysts believe that 15,000 barrels/day could be produced fairly quickly at little additional cost—again enhancing cash flow prospects. For the full year more write-offs of exploration assets should take the net loss to the £15m mark. The shares, down 2p at 30p as the price to be paid for confusing the market, are too cheap to sell and too weak to be worth buying.

Bardsey reduces losses

Bardsey, the industrial and financial bolding company, has reported a further redaction in nre-tax losses for the half year to June 30 1986. The figure is down from £608,000 to £129,000. The group as now constituted would have had a profit of £53,000, but discontinued businesses turned in a loss of £182,000, the directors pointed out.

The company has followed its strategy of selling the loss-making industrial companies in order to concentrate on the core businesses of Rabone Chesterman and RCF Tools.

These hand tool companies together more than doubled their contribution to profit compared with their performance in the same period of 1985, directors said.

Two of the three remaining loss-makers — Standard Upholstery and Taylor Pallister—no longer trade within the group. Standard was sold in June 1986 and the disposal in September of Taylor Pallister gave rise to an extraordinary loss of £288,000. These sales would make a considerable impact on the group's future trading, the directors stated, and had also resulted in borrowings being further reduced.

Turnover in the period fell from £18.09m to £14.11m. Tax amounted to £21,000 (£3,000) after which there were losses per 25p ordinary share of 0.7p (2p).

Bridgend jumps by 86% as recovery continues

BY RICHARD TOMKINS

Bridgend, the distribution group which last year turned in its first profit and dividend for 12 years, has continued its recovery with a rise in pre-tax profits from £70,000 to £130,000 for the six months to June.

Turnover was up from £12.2m to £17m and earnings per share rose from 0.49p to 0.84p. The company has decided to resume the interim dividend with a payment of 0.2p. Profit for the year 1985 was £217,000.

Mr Neil List, the stockbroker who took over as Bridgend's chairman in 1983, said the group's growth was being led by a rapid expansion of the security division, which was mainly involved in the wholesaling of products such as burglar alarms.

Associated Trust Holdings, the biggest company in the division, was establishing a leading position in a fragmented market and had increased turnover by 60 per cent in the six months. The trend was being maintained in the second half.

The electrical wholesaling division, the main business of which is at present supplying marine fittings, had mede modest profits but Mr List said he planned to expand its activities in tandem with those of the securities division.

Commercial vehicle distribution division had not reached expectations and was being slimmed down. However, the newly-formed contract hire side had grown quickly and should make a positive contribution in the second balf.

Borrowings were steady at around £2m compared with shareholders' funds of £4m. The company expected to profit from the sale of surplus land at Formby, but the proceeds were more likely to be used to expand through acquisition than to reduce indebtedness.

"We have done the bulk of the rationalisation work and now we want to put in an additional leg. It could be something that helps the security division, but it might be just another distribution business," Mr List said.

New Court move to reduce costs further

BY TERRY POVEY

New Court Natural Resources, the small independent oil company which recently announced pre-tax losses of £15.1m following a very large write-down of the value of its reserves, has taken a further step to reduce costs by terminating a $500,000 a year administration contract on its sole operating subsidiary.

New Court has seen many boardroom changes and the ending of the once-close relationship with bankers N. M. Rothschild during the last year. The company's shares fell to 8½p on Friday, which compares with a 5p par value and e 39p high in the spring of 1985.

The latest moves leave New Court with an improved cash flow; 10 properties with a written-down value of about £4.4m; and most importantly US tax losses of the ordar of $18m.

Running the company is Mr Mark Vaughan-Lee, now chairman of New Court and formerly e director of fund managers MIM, and Mr Christopher Mills, who still works for MIM. Both men are backed by major shareholders Hampton Gold Mining Areas, now owned by Mr Alan Bond, MIM itself and othar institutions.

All of New Court'e oil and gas interestst are in the US and are run through subsidiary Murray Hill. Mr Vaughan-Lee said that the board had decided to buy out the open-ended contract with Dillashaw Hawthorn & Company, which was responsible for the day-to-day administration and bookkeeping at Murray Hill.

Last year the contract with Dillashaw cost New Court $436,000 which compares with a £1.7m total for lease operating and other expenses in the year to March. Dillashaw has accepted $150,000 in cash plus 81 properties (oil or gas licences) with combined value equivalent to 10 per cent of fixed assets — soma £480,000.

Mr Vaughan-Lee commented that a £1.7m rights issue made in late August had "tidied up" the debt and cash flow position of New Court and that now "all our worst properties have been sold off to Dillashaw." He expressed interest in acquiring an unlisted US company with a strong revenue stream which would benefit from the New Court "shelter" of its profits.

He and Mr Mills successfully launched a similar scheme via American Electric Componants in early 1985.

New Court's tax losses are worth 18.2p a share whereas net assets per share were 13p a share as of March 31 on the pre-rights capital or approximately 9p on the expanded capital.

NOTICE OF REDEMPTION

To the Holders of

TOKYO SANYO ELECTRIC CO., LTD.

US$30,000,000

5¾% Convertible Notes Due November 30, 1996

NOTICE IS HEREBY GIVEN that, pursuant to the provisions of the Indenture dated August 12, 1981 between Tokyo Sanyo Electric Co., Ltd. (the "Company") and Morgan Guaranty Trust Company of New York, as Trustee, all of the above-mentioned Notes outstanding under the said Indenture have been called for redemption oo 30th November, 1986 at the redemption price of 103% of the principal amount thereof. Coupons maturing on 30th November, 1986 will be paid in the usual manner. From 30th November, 1986 all interest oo the Notes shall cease to accrue.

The right to convert the Notes into Common Stock of the Company will terminate at the close of business on Wednesday, 26th November, 1986, the second Business Day immediately preceding the date fixed for redemption. Notes to be converted should be surrendered in accordance with Section 3.02 (a) at the office of the Conversion Agents specified at the end of this notice on or before 26th November, 1986.

The Notes are presently convertible into Common Stock of the Company at a price of yen 423.80 per share. At such Cooversion Price the holder of US$5,000 principal amount of Notes would receive 2,742 shares of Common Stock of the Company (using the fixed exchange rate specified in the Indenture of yen 232.45 equals US$1.00). Converting Noteholders will receive certificates for shares with respect to a unit of 1,000 shares or its integral multiples, and with respect to any number of shares not comprising a full unit of 1,000 shares, they will receive a cash adjustment therefor. Failure to deliver Notes for conversion on or before 26th November, 1986 will automatically result in redemption at a price of US$5,150 for each US$5,000 principal amount of Notes and payment of coupons maturing on 30th November, 1986. Such payment will be made on and after Monday, 1st December, 1986.

Notes for redemptioo must have attached all coupons maturing after 30th November, 1986 and should be presented for payment at the specified offices of the Paying Agents listed below.

PAYING AND CONVERSION AGENTS

Morgan Guaranty Trust Company of New York
30 West Broadway
New York, New York 10015

Morgan Guaranty Trust Company of New York
14, Place Vendome
75001 Paris

Morgan Guaranty Trust Company of New York
Morgan House, 1 Angel Court
London EC2R 7AE

Banque Generale du Luxembourg S.A.
14 rue Aldringen
Luxembourg City

Morgan Guaranty Trust Company of New York
Avenue des Arts 35
B-1040 Brussels

Swiss Bank Corporation
1, Aeschenvorstadt
4002 Basle
Switzerland

TOKYO SANYO ELECTRIC CO., LTD.

DATED: 21st October, 1986

Any payment made within the United States, including any payment made by transfer to an account maintained by the payee with a bank in the United States, may be subject to reporting to the United States Internal Revenue Service ("IRS") and to backup withholding at the rate of 20% if payees oot recognized as exempt recipients fail to provide the paying agent with an executed IRS Form W-8, certifying under penalties of perjury that the payee is not a United States person, or an executed IRS Form W-9, certifying under penalties of perjury the payee's taxpayer identification number (employer identification number or social security number, as appropriate). Those holders who are required to provide their correct taxpayer identification number on IRS Form W-9 and who fail to do so may also be subject to a penalty of $50.00. Holders should therefore provide the appropriate certification when presenting Notes for payment.

UK COMPANY NEWS

Blacks Leisure rescue team planning expansion

BY MIKE SMITH

THE CONSORTIUM which this month agreed a £1m rescue package to save Blacks Leisure from receivership is planning to expand the group.

Mr Bernard Garbacz, who will become Blacks chairman under the rescue plan, said yesterday that he and the two other members of his consortium believed strong management could make the group extremely profitable and this would enable it to acquire more stores.

Mr Garbacz outlined his confidence in a letter to shareholders in which the group also announced its intention to seek further "essential" finance through a rights issue.

In the document, Mr Mervyn Frankel, who is stepping down as chairman, said the board believed the company's business was fundamentally sound and was capable of being substantially developed given an adequate capital base.

Yesterday, the Blacks share price rose ½p to 8½p.

Two months ago Blacks, which sells camping and leisure equipment, unveiled a pre-tax loss of £1.6m in the year to March and said it had agreed to a £3.3m takeover by Sears, the retail group. The deal, however, fell through.

Mr Garbacz's consortium has agreed to provide the £1m of funding to Blacks by taking up 33.3m new ordinary 2½p shares. This will give it 37.46 per cent of the ordinary shares but, because of the voting rights of preference shareholders, only 34 per cent of votes.

Mr Garbacz, 53, is a senior partner of accountants Landan Morley and was a member of the group of investors and managers which last year acquired furniture group Maples, Waring and Gillow. He will initially be Blacks' finance director as well as chairman.

His two partners in the consortium are Mr Alan Thornton, 39, the former managing director of Lotus Shoes who will become Blacks managing director and chief executive, and Mr Leslie Lesser, 52, an accountant who will join the board as non-executive director.

Snowdon & Bridge growth continues

CONSIDERABLE progress has been made by Snowdon & Bridge, which serves the catering trade, and the directors said the company is in a strong position to continue the profitable progress into next year and beyond.

Turnover in the half-year ended July 31 1986 rose from £10.8m to £11.19m, operating profit from £399,000 to £562,000, and the pre-tax balance from £365,000 to £575,000.

The company's shares were placed on the USM a year ago at 97p—yesterday they were up 2p to 120p. There is to be an interim dividend of 1p net and the directors forecast a final of not less than 2p. For the year ended January 31 1986 the payment was 1p from a pre-tax profit of £910,000.

Snowdon & Bridge distributes a wide range of food and non-food products to the catering trade, and has ancillary wholesale cash and carry interests.

In the half year catering delivered sales were ahead 10 per cent and the higher margin non-food sales by 20 per cent. Catering sales through the Birmingham warehouse were running up on forecast.

The directors reported that sales were very strong and they anticipated this remaining so throughout this year.

Porter Provisions, acquired on August 8, was fully integrated into the company's systems. In the second half its sales contribution would be some £2m and, after redundancy and other rationalisation costs, it would produce a profit.

The directors said they were having discussions with other companies to expand the business further.

Earnings in the half year worked through at 5.55p (3.55p) after tax of £211,000 (£150,000).

Triefus keeps up recovery with £443,000

Triefus consolidated its recovery in the first half of 1986 and reported profits up from £358,000 to £443,000. For the full year the directors expect an improved result over 1985, when pre-tax profit was £793,000.

The group is engaged in the marketing, processing and valuation of diamonds, in engineering, and contract drilling.

For the first time in many years the manufacturing operation in England showed a profit, and the rate of losses in certain overseas subsidiaries were being reduced.

This stemmed from the reorganisation overseas.

Forward Technology gains from margin improvement

Forward Technology Industries, manufacturer of electronics and specialised machinery, increased its first half profits to £320,000 pre-tax, an improvement of £198,000 over last time's static £122,000.

Total sales revenue advanced by 15 per cent and the profit margin before central overheads and interest improved from 4.5 per cent to 6.8 per cent.

Mr Henry Prevezer, the chairman, said yesterday that the electronics activity continued to show improvements in order book, sales and profit margins.

As indicated in his letter accompanying the recent rights issue the directors were actively reviewing the ultrasonic manufacturing capacity

During the half year (to June 30 1986) the sound and vision activity was particularly affected by a downturn in Cambrasound's performance.

Mr Prevezer said this was primarily because of a customer cancelling a significant product line and resulted in the majority of the division's losses — they rose from £61,000 to £236,000.

Overall, order books for both activities were currently higher than a year ago and the directors were looking forward to the year end with confidence. They expected the European manufacturing base and market strength to prove a key advantage in coming years.

Earnings for the opening half improved to 1.5p (0.1p) but as in previous years there is no interim dividend. The directors expect to pay the forecast final of 0.7p (0.5p).

Group turnover rose to £12.77m (£11.14m). The electronics side lifted its contribution to £8.45m (£5.23m) and its profits to £1.1m (£557,000).

Clayform Props. confident despite first half loss

Clayform Properties suffered a downturn into losses of £354,000 pre-tax in the first half of 1986 compared with a profit of £5,000. However, the directors said that interim results did not bear any relationship to the full year, especially this year as the second half would be boosted by the £86m acquisition of Samuel Properties.

The result was achieved on turnover of £5.87m (£4.39m) and the losses per 5p share came out at 2.3p, against earnings last time of 0.1p. An interim dividend of 2.5p (nil) is being paid with a forecast of a final of 5p. Last time there was a single final payment of 5p, from profits of £2.59m.

The directors added that as usual profits were dependent on the timing of completion of developments. With a high level of activity at the moment they expected a most pleasing outcome for the year.

Since the end of the period sales of properties had resulted in bank deposits of more than £20m. New developments, such as the Schofield Centre in Leeds, valued at more than £45m, were in the final stages of negotiation.

Gross profit was £38,000 (£266,000) with a further £22,000 (£587,000) from associates. Administration costs were £438,000 (£306,000) to leave an operating loss of £378,000 (£547,000 profit). The loss from its Yorkshire retail operation, Schofields, fell from £387,000 to £37,000, being profit of £473,000 (£463,000) less the financing costs of the acquisition of £510,000 (£850,000).

Net interest receivable was £61,000 against charges of £155,000.

The figures do not include any contribution from Samuel Properties, the offer for which became unconditional in July and which doubled Clayform's issued share capital.

LONDON RECENT ISSUES

EQUITIES

Issue Price	Amount Paid up	Latest Renunc. Date	1986 High	1986 Low	Stock	Closing Price	+ or −	Net. Div.	Times Cov'd	Gross Yield	P.E. Ratio
§115	F.P.	—	122	121	Berry & Noble 10p	121	—	R2.5	2.2	4.9	13.0
§100	F.P.	—	109	102	♦Citygrove 10p	102	—	R2.5	2.7	3.5	14.0
§130	F.P.	17/10	198	152	♦Creighton Labs 20p	195	−3	U3.7	2.2	2.7	23.6
160	F.P.	24/10	146	128	Euro Home Products 5p	142	—	R4.25	2.5	4.2	10.9
§105	F.P.	16/10	112	103	♦Evn Construction	103	—	s4.5	3.2	6.0	7.4
§135	F.P.	24/10	166	145	♦Great Southern 10p	158	+1	R5.2	2.2	4.6	13.5
	F.P.	—	28	27	Group Development	27	−1	—	—	—	—
185	F.P.	—	208	188	♦Interlink Express 5p	205	+7	R3.5	3.2	2.4	18.6
§135	F.P.	24/10	245	145	♦Local London Group 5p	245	+5	W5.0	1.8	2.9	27.6
110	F.P.	5/11	126	119	Marlbor'gh Tech Man 5p	125	−1	R2.70	3.1	3.0	12.6
§105	F.P.	24/10	162	135	♦Miller & Santhouse 5p	162	+2	d2.25	2.4	2.0	30.3
—	F.P.	—	31	27	New Australia Inv Wrts	31	—	—	—	—	—
§75	F.P.	24/10	79	75	♦Newage Trans 5p	75	—	R3.5	2.5	6.6	8.5
§25	F.P.	22/10	26½	25½	Nth of Scotland Inv 10p	26½	—	—	—	—	—
§90	F.P.	24/10	90	88	♦Radamec Group 5p	90	—	R2.28	5.7	2.0	12.3
§95	F.P.	—	97	97	♦Rotunda 10p	96	—	R3.03	2.8	4.4	11.6
¶110	F.P.	—	108	102	♦Ryman 5p	102	—	L1.5	3.2	2.1	17.1
135	F.P.	24/10	164	151	Sandell Perkins 10p	164	+2	u3.8	2.9	3.3	15.1
100	50	14/11	102	82	TSB	83½	−3	W4.26	3.1	4.6	10.1
8§	F.P.	—	385	328	♦Utd. Trust & Credit £1	328	—	u14.0	2.1	6.8	11.3
§160	F.P.	—	179	170	♦Whitney Mackay 10p	172	+2	R4.0	3.0	3.3	14.2
125	F.P.	10/10	156	136	Yorkshire TV	152	−1	R6.25	2.4	5.8	10.3

FIXED INTEREST STOCKS

Issue Price £	Amount Paid up	Latest Renunc. Date	1986 High	1986 Low	Stock	Closing Price £	+ or −
‖	Nil	13/11	1½pm	½pm	Comtech Finance 11½% Cnv. Uns. Ln. 1996	1pm	+½
§100	£10	8/1	12⅞	11	East Worcs. Water 12½% Red Deb 94-96	11½	+¼
§100	£10	29/1	10¾	9½	Essex Water 11¼% Red. Deb. 2002-04	10	+¼
¶101.41	£10	—	11¾	11½	do 8⅞% Red. Pf 1993	11½	−⅛
‖	Nil	14/11	9pm	6pm	♦Goodhead Print 7% Cnv. Red. Prf	8pm	−1
§100	£10	15/5	9½	2	Mid-Sussex Water 11% Red Deb 2012-16	2	−1
§99.937	£25	24/10	25¼	22¾	Nationwide 3¾% IL Ln. 2021	25¾	—
—	F.P.	—	100⅛	98⅝	Do 10⅛% 21/9/87	98½	−⅛
—	F.P.	—	100	100	Do 11⅛% 26/10/87	100	—
§101.87	£10	—	11¾	11½	Portsmouth Wtr. 8⅞% Red. Pf 1996	11½	−⅛
96.645	£25	8/1	24¾	17	Scot. Met. Prop. 10⅞% 1stMort.Deb.2016	18	−⅛
—	F.P.	—	116p	104p	Scott. & Newcastle 7% Conv. Pref. £1	113p	−3
§102.25	£10	—	11¾	11½	Tendring Hundred Wtr 8⅞% Rd. Pf 1996	11½	−⅛
¶¶	F.P.	24/10	122p	115p	WCRS 5½% Cnv. Cum. Red. Pref. 1999	115p	−1
¶¶	F.P.	—	95p	92½p	Walker (C & W) 6½pc Cnv Cum Red Pref	95p	—
¶¶	F.P.	—	104p	101p	Williams Hldgs 5¾% Cum Cnv Prf	102p	—

"RIGHTS" OFFERS

Issue Price p	Amount Paid up	Latest Renunc. Date	1986 High	1986 Low	Stock	Closing Price p	+ or −
125	Nil	21/11	28pm	8pm	Appleyard Group	28pm	+4
140	Nil	25/11	24pm	20pm	Barro Inds. 20p	20pm	−3
180	Nil	5/12	9pm	2pm	Bentley (C.H.) 10p	2½pm	+½
20½	Nil	—	2½pm	1½pm	♦Bennett & Fountain 10p	1½pm	—
90	Nil	—	10pm	8pm	Bryant Hldgs.	6pm	−1
71	Nil	24/11	6pm	3pm	Burns Anderson 10p	3pm	—
$1.80	Nil	26/11	12½pm	4pm	E.R.I.C.	5pm	—
85	Nil	5/12	1½pm	1pm	Lawrence (W)	1pm	—
30	Nil	25/11	9pm	1pm	Leisuretime Intl.	1pm	−2
18½	Nil	—	1½pm	1½pm	Norfolk Cap 5p	1½pm	—
160	Nil	—	58pm	32pm	Parrish (J.T.) 5p	58pm	—
5	Nil	21/11	1pm	½pm	Pledgeon 5p	1pm	—
140	Nil	13/11	28pm	15pm	Tilney Group	25pm	—
50	Nil	19/11	7pm	5pm	Thurgar Bardex 10p	7pm	—

Renunciation date usually last day for dealing free of stamp duty. a Annualised dividend. b Figures based on prospectus estimates. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. g Assumed dividend and yield. h Assumed dividend and yield after scrip issue. F Forecast dividend cover on earnings updated by latest interim statement. H Dividend and Yield based on prospectus or other official estimates for 1987. L Estimated annualised dividend, cover and p/e based on latest annual earnings. R Forecast annualised dividend, cover and p/e ratio based on prospectus or other official estimates. W Pro Forma Figures t Indicated dividends; cover relates to previous dividend; p/e ratio based on latest annual earnings. u Forecast, or estimated annualised dividend rate, cover based on previous year's earnings. ¶ Issued by tender. ‖ Offered holders of ordinary shares as a "rights." §§ Introduction. ** Issued by way of capitalisation. § Placing price. §§ Reintroduced. ¶¶ Issued in connection with reorganisation merger or takeover. ||| Allotment price. ♦ Unlisted securities market. †† Official London listing. ‡‡ Including warrants entitlement.

FT CROSSWORD PUZZLE NO. 6,156

DANTE

ACROSS

1 Sad about relative, he becomes one of the gang (8)
5 General method that allows margin for error (6)
9 Beats in a child's game, we hear (8)
10 Foreign office desk? (6)
12 Aim to include me? Correct (5)
13 They take turns at the wheel (2-7)
14 Name of inventor noised abroad (6)
16 It's designed and built as an ocean container (3, 4)
19 Recreation for Father's Day (7)
21 Bather in difficulty may get out of it (6)
23 Fifty one cats may haul people to safety (4-5)
25 It sounds like the height of resentment (5)
26 Man is, whatever Donne says! (6)
27 What's more, it's a sincere conversion (8)
28 Greek centre replaced by French in Polish port (6)
29 Surprised, even though of broad vision (4-4)

DOWN

1 There's no telling if this is to be kept (6)
2 Intimations that union's disruption is about to be settled? (9)
3 Dog badger? (5)
4 Movie queen from the Continent (7)
6 Edit a clue, perhaps, to make it clear (9)
7 A question of place (5)
8 The way you may do it nowadays (8)
11 They give a better interest (4)
15 Sings "Coming Round the Mountain" for money (9)
17 He never adds anything new to his collection (9)
18 School subject some find enchanting (8)
20 It has caused many deaths in Viet-Nam (4)
21 It lacks bark (7)
22 Give protection, though fed up before the finish (6)
24 Decline to meet a composer (5)
25 Contract in which there's likely to be money (5)

Solution to Puzzle No. 6,155

TARPAULIN BRASS
COBRA NORWEGIAN
SALUTATION ASTI
FRIGATE KEYNOTE
SINEDIE SOLVENT
BARD SIXTHSENSE
COINTREAU YEAST
STERN TRAVELLER

AUTHORISED UNIT TRUSTS

FT UNIT TRUST INFORMATION SERVICE

[illegible]

AUTHORISED UNIT TRUSTS & INSURANCES

Whittingdale Unit Trust Managers
2 Honey Lane, London EC2V 8BT 01-606 9085/6

Short Dtd Gilt Fd	68.0	69.1	.....	—
U.S. Govmnt Bond Fd	0.523	0.515	-0.001	—

Windsor Trust Mngrs Ltd
83 Kingsway, London, WC2B 6SD 01-405 8331

Cawthl & Equity Tst	48.5	51.7	+0.1	7.59
Growth Trust	52.6	56.0	+0.2	2.21
Income Trust	54.5	57.8	+0.3	3.01

Wright Seligman Fund Managers Ltd
11 Blomfield St, London EC2M 7AV 01-588 0592

Growth Fund	70.5	74.0	.....	2.90

Weekly dealing day Tuesday

The Yorkshire General Trust
Woodsome Pk, Fenay Bdge, Huddersfield 0484 602250

Y.G.T.	130.4	138.0	+1.0	3.11

INSURANCES

AA Friendly Society
(Investment Mngt M & G Inv Mngt Ltd)
PO Box 93 Cardiff CF1 4NW 0222 35542

AA Friendly Sy Oct 8		102.0	.....	—

Abbey Life Assurance Co Ltd
80 Holdenhurst Road, Bournemouth 0202 292373

Prop Ser. 1	206.9	217.8	.....	—
Equity Ser. 1	101.9	107.3	+0.7	—
Prop. Acc. Ser 2	278.5	293.2	.....	—
Equity Ser 2	110.7	116.6	+0.5	—
Selective Acc.	235.3	247.7	+0.4	—
Prop. Ser. 9	220.3	231.9	.....	—
Equity Ser 4	113.9	119.9	+0.6	—
Fixed Int. Ser. 4	173.7	182.9	-0.9	—
Indexed Inv. Ser. 4	109.0	114.8	-0.9	—
American Ser. 4	257.4	271.0	-1.8	—
High Inc. Ser. 4	288.6	303.8	+1.2	—
Japan Ser 9	232.0	244.3	-2.3	—
Man. Ser. 4	346.6	364.9	-0.5	—
Money Ser 4	196.7	207.1	.....	—
European Ser 4	123.5	130.1	-0.5	—

Pension Funds

Property	357.7	376.6	.....	—
Equity	765.9	806.3	+4.2	—

City of Westminster Assurance—Contd.

Far East Fund	210.1	221.2	-0.8	—
North American Fund	171.1	180.2	+0.4	—
Natural Resources Fund	146.2	153.9	+1.1	—
Pension Managed Fund	375.1	394.9	-0.5	—
Pension Equity Fund	242.6	255.4	+1.2	—
Adventurous Mngd Fd	118.8	125.1	.....	—
Balanced Mngd Fd	117.0	123.2	.....	—
Conservative Mngd Fd	110.7	116.6	.....	—
European Fund	108.0	113.7	+0.2	—
International Fund	115.9	122.0	-0.4	—
S.U.N. Flagship Fd	125.8	132.5	+0.1	—

For other prices please telephone 0908 606101/660088

Clerical Medical/Fidelity International
Narrow Plain, Bristol BS2 0JH 0272 290566

Investment Funds

Mixed	151.8	159.8	-1.1	—
Equity	148.8	156.7	-1.4	—
Property	109.8	115.6	+0.1	—
Gilt & Fixed Interest	105.5	110.9	-0.5	—
Indexed Securities	97.1	102.3	.....	—
Cash	108.1	113.8	+0.1	—
North American	108.1	113.8	-1.2	—
Far East	117.9	124.7	-0.8	—
International	125.5	132.2	-1.1	—
Special Situations	141.9	149.4	-1.8	—
International Income	139.5	146.9	-1.4	—
American Income	117.7	123.9	-1.3	—
European	150.6	158.6	-1.5	—

Flexible Retirement Plan

Mixed	135.2	142.4	-1.3	—
Equity	142.5	150.1	-1.3	—
Property	115.4	121.5	+0.1	—
Gilt & Fixed Interest	111.5	117.4	-0.4	—
Indexed Linked	98.8	104.1	.....	—
Cash	116.1	122.3	+0.1	—
North American	113.1	119.1	-1.7	—
Far East	143.1	150.7	-1.1	—
International	133.0	140.0	-1.5	—
Special Situations	158.8	167.2	-2.7	—
European	174.4	183.6	-2.3	—

Executive Investment Pension Plan
Prices on October 15. Unit dealings on Wednesday.

Cash Fd	140.0	147.4	.....	—
Mixed Fd	180.5	190.5	.....	—
Fixed Int. Fd	140.5	148.0	.....	—
UK Equity Fd	218.5	230.1	.....	—
Property Fd	134.1	141.2	.....	—
Overseas Fd	195.0	205.2	.....	—
Index Linked Fd	106.4	112.1	.....	—
Stock Ex. Fd	152.5	160.4	.....	—

Standard Life Assurance Company

3 George St, Edinburgh EH2 2XZ 031-225 2552

Sun Alliance Insurance Group

Sun Alliance House, Horsham 0403 64141

Vanbrugh Pension Limited

Portland Ho, Stag Place, Ldn, SW1E 5BH 01-630 1461

Windsor Life Assur Co Ltd

Royal Albert House, Sheet St, Windsor

MANAGEMENT SERVICES

OFFSHORE AND OVERSEAS

INSURANCE, OVERSEAS & MONEY FUNDS

World Fund S.A.

2 Boulevard Royal, Luxembourg

World Fund NAV		$18.75	−0.06	—

Yamaichi Dynamic Mngt Co SA

10A Boulevard Royal, Luxembourg

Zero Bond Fund Limited

PO Box 208, St Peter Port, Guernsey 0481 26268

Zero Bond Fund	$22.00	12.70		—

Money Market Trust Funds

	Gross	Net	Gr Equiv CAR	Int Cr
Charities Aid Funds Money Mngmt Co Ltd				
Staple Hall, Stone Ct, Houndsditch, EC3 01-283 6461				
Call Fund	9.97	7.49	10.35	3-mth
7-day Fund	10.52	7.89	11.54	3-mth
The Charities Deposit Fund				
2 Fore Street, London EC2Y 5AQ 01-588 1815				
Deposit	10.20			3-Mth
The Money Market Trust				
63 Qn Victoria St, EC4N 4ST. 01-236 0952				
Call Fund	10.55	7.91	11.55	6mth
7-day Fnd	10.18	7.63	11.13	6mth
Oppenheimer Money Management Ltd				
66 Cannon St, EC4N 6AE. 01-236 1425				
Call Fnd	10.52	7.86	11.28	6-Mth
7-day Fund	9.38	7.03	10.09	6-Mth
Dollar	4.87	3.64	5.21	6-Mth

Money Market Bank Accounts

	Gross	Net	Gr Equiv CAR	Int Cr
Adam & Co. plc				
22 Charlotte Sq, Edinburgh EH2 4DF 031-225 8484				
Full Service Cur Acc	10.25	7.50	10.86	Qtr
Aitken Hume				
30 City Road, EC1V 2AY. 01-638 6070				
Treasury Acc	10.25	7.44	11.10	Qtr
Mth. Int. Chq.	10.25	7.44	11.10	Mth
Allied Arab Bank Ltd				
97-101 Cannon St, London, EC4N 5AD 01-283 9111				
High Int. Cheque Acc	11.00	8.22	12.09	Mth
Bank of Scotland				
38 Threadneedle St, EC2P 2EH. 01-628 8060				
Money Mkt Cheque Acc	10.50	7.85	11.46	Mth
Barclays Prime Account				
PO Box 125, Northampton 0604 252891				
High Int. Cheque	9.50	7.00	10.12	Qtr
Benchmark Trust Ltd				
9 Henrietta Place, W1M 9AG. 01-631 3313				
Cap Chq Deposit Acc	10.25	7.44	11.34	Mth
Charterhouse Bank Limited				
1 Paternoster Row, EC4M 7DH. 01-248 4000				

TRADITIONAL OPTIONS

3-month call rates

COMMODITIES AND AGRICULTURE

Bitterness over rubber debacle

BY WILLIAM DULLFORCE IN GENEVA

THE PRODUCERS were bitter, the conference chairman voiced his frustration, and even some of the consumers seemed to be disconcerted at what they had done after the collapse of the rubber talks in Geneva last week.

A third attempt by the exporting and importing nations to negotiate a new price-stabilising accord for natural rubber had begun so promisingly on October 6, when the producers dropped their demand for a 31 per cent price increase.

Now the outcome of the talks threatens to leave the rubber market in limbo for some time to come and has raised doubts yet again over the whole concept of price-stabilising commodity agreements, and over the so-called Integrated Programme for Commodities.

The IPC, run under the auspices of the UN Conference on Trade and Development, registered an unexpected success in July with the renewal of the International Cocoa Agreement. This appeared to reverse the worldwide disenchantment that had set in last October with the spectacular and expensive breakdown of the tin agreement. But the failure over rubber suggests that the tin neurosis persists deep in the psyches of consumer governments.

After the breakdown of talks in Saturday's small hours, Mr Ahmad Farouk, controller of the Malaysian Rubber Development Board and spokesman for the producers, expressed doubt whether some consumer governments had ever really wanted to extend the International Natural Rubber Agreement (Inra) beyond its expiry date next October.

Evidence supporting his viewpoint is not difficult to find, although it may be more accurate to say that governments—the British, West Germans and Dutch, for instance—were prepared to renew the Inra only under conditions which left little scope for compromise.

When the producers agreed at the start of the latest round of negotiations to an unchanged reference price of 201.66

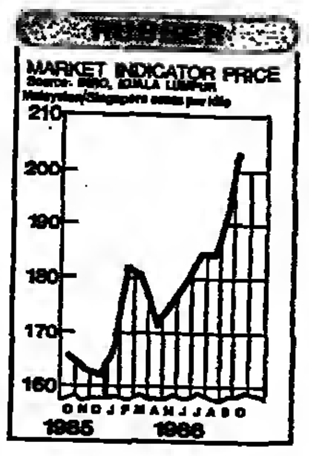
DR LIM Kheng Yaik, the Malaysian Minister of Primary Industries, yesterday expressed cautious optimism that a new International Natural Rubber Agreement could still be worked out despite the collapse of negotiations between consumers and producers in Geneva last week.

He said producers would hold informal consultations with consumers to break the impasse, and he would be taking up the matter with his Indonesian and Thai counterparts next week when he goes to Jakarta for the ministerial meeting of the Association of Tin Producing Countries.

Speaking at the annual Malaysian Rubber Growers Conference in Ipoh City, 150 miles north of Kuala Lumpur, Dr Lim said that, in view of the current favourable rubber prices, producing countries were adopting a more relaxed attitude towards the collapse of the Geneva talks.

The biggest threat to producers in the event of a break-up of the rubber agreement is the disposal of the stocks held by the Inra Buffer-stock manager, which would depress prices.

On the Kuala Lumpur Commodities Exchange yesterday, RSS one rubber was traded unchanged at 232 Malaysian cents a kilo.



Malaysian-Singapore cents a kilo for the new agreement, a major obstacle to a new Inra seemed to have been removed. They had previously been claiming a price of 25 cents.

But the producers were badly shaken when the consuming countries continued to push for far-reaching changes in the price adjustment mechanism.

They insisted on having automatic price revisions allowed for in the new agreement whenever the market price during the six-month period preceding a price review on average was above the upper or below the lower trigger levels at which the buffer stock manager has to buy or sell rubber. And they wanted the minimum adjustment to be 5 per cent.

Other demands for greater flexibility were tabled by the consumers but the 5 per cent automatic adjustment was the sticking point for the producers. This and the producers' condition that their concession on the reference price was valid only if accompanied by a change in the currency of the agreement (to Malaysian ringgits alone from a combined Malaysian-Singapore currency measure) became the two final points of contention.

There was also a suggestion from the US that, when the buffer stock grew to 450,000 tonnes, adjustment should be made not only to the reference price but also to the lower indicative price, currently at 150 Malaysian-Singapore cents.

Producers' opposition to this idea was fierce, because they regard the indicative price as a guarantee, establishing a floor that assures rubber growers a return and encourages replanting. They do not see it as a level moving with market trends.

This goes to the heart of the matter. For producers a commodity agreement should support prices at a level assuring them of adequate remuneration: for consumers, especially after the collapse of the tin agreement, its principal role is to temper excessive price fluctuations round the market trend.

"The purpose of a commodity agreement cannot be just to allow individual producing countries to maximise export earnings," a West German official said. "After tin we have to look carefully at the economic implications of any agreement," was a British reaction.

Prospects for a new rubber agreement are now very dim, although neither side has yet slammed the door shut. Time is running out, considering the cumbersome drafting and ratification process that has to be completed by next October.

Malaysia refused to approve at the rubber conference's final session last week a statement calling for a resumption of talks at the end of January. US delegates were particularly sceptical about continuing negotiations.

An urgent meeting of the standing committee of the Association of Natural Rubber Producing Countries, the producers' organisation, is being called. Mr Farouk reminded journalists that in 1976 before the establishment of the current Inra the Association had worked out its own programme for stabilising prices, involving a small buffer stock and export restraints.

One effect of the aborted negotiations may be to strengthen the hand of those economists and officials in Kuala Lumpur who have been doubtful about the beneficial effects even for exporters of building up a large buffer stock.

The stock enables tyre companies and other big buyers to free themselves of storage and interest costs, as long as supply is abundant and prices are under downward pressure, they argue. It could be better to take a major shake-out of the market and hope for a quick rebound of prices, some believe.

But, if that is to be the line, some understanding must be reached about how to start liquidating the present 365,000-tonne stock next October without disrupting the market.

US duty move boosts orange juice futures

ORANGE JUICE prices rose sharply on the New York futures market yesterday, following a decision by the US Commerce Department last Friday to impose tariffs on imports of Brazilian juice, writes our Commodities Staff.

The Commerce Department imposed provisional duties of up to 8.54 per cent on Brazilian concentrate shipments, on the grounds that juice was being dumped on the US market. Analysts speculated that this might lead to restrictions on Brazilian supplies to the US, which last year were worth $670m and accounted for roughly half the domestic market.

● The US Congress has given final approval to legislation extending for three years funding for regulation of commodity futures markets, and permitting expansion of the leverage contract industry. The bill, when signed by President Reagan, will give the Commodity Futures Trading Commission more regulatory power.

LONDON METAL EXCHANGE WAREHOUSE STOCKS
(Changes during week ending last Friday)
(tonnes)

Aluminium	−575	to 122,350
Copper	+875	to 144,800
Lead	+125	to 34,800
Nickel	−225	to 8,340
Tin	−35	to 43,045
Zinc	−525	to 22,075
	(ounces)	
Silver	+32,000	to 25,249,000

Broken Hill peace pact expires

BY CHRIS SHERWELL RECENTLY IN MELBOURNE

THE FUTURE of Australia's famous Broken Hill mines again comes under question today with the expiry of a hard fought interim agreement on work practices between management and unions.

Events in the New South Wales town over the next few days are important because they are likely to influence the immediate outlook for the world lead market, where prices have recently recovered from 10-year lows to reach 17-month highs.

The dispute, which has already led to a damaging eight week strike earlier this year, involves the two principal mining companies, the CRA Group and North Broken Hill, and three unions representing miners, drivers and tradesmen.

The companies have sought two sets of changes: greater flexibility to operate the mine at any time on any day, and reforms to end restrictive work practices which greatly limit the mines' productivity.

The companies say productivity at Broken Hill is little more than half that of similar mines in Australia and elsewhere, with output of 1,100 tonnes per man per year.

Under the interim agreement implemented three months ago, which followed intervention from the Conciliation and Arbitration Commission, the unions agreed to work 19 shifts a week in certain areas of the mines—still short of the 21 the company wants—and to work overtime on a voluntary basis.

Other changes hinged on the findings of a technical committee which reported on safety aspects one month ago. The companies have sought discussion of the changes, but the only look like starting today, the day the interim agreement expires.

Whatever happens, Broken Hill's days seem numbered. The company says it cannot justify further mining without more changes. Yet even with the changes and fresh investment to ensure increased productivity, the best hope may only be that the mine will keep going until the year 2000.

The workforce already appears to be drifting away. Uncertainty about the future, a lower retirement age and a voluntary redundancy scheme have combined to bring the size of the workforce down from 2,100 at the beginning of the year to 1,400 now.

US concludes S Pacific fish deal

BY OUR SYDNEY CORRESPONDENT

THE US has concluded a five-year fishing rights agreement with a group of South Pacific island states, following a week of tough negotiation in Tonga.

The package was agreed after the US raised its financial offer for the third time.

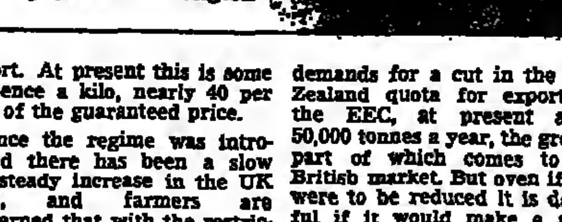
According to reports from the Tongan capital of Nuku'alofa, the pact is worth a total of US$60m to the Pacific countries. It includes a cash grant of more than $40m and a per-boat fee for 35 tuna fishing vessels yielding about $20m.

The agreement gives the US tuna fleet the right to fish in the exclusive economic zones of the members of the Forum Fisheries Agency, which is part of the 16-nation South Pacific Forum. The Forum includes Tonga, Fiji, Kiribati, Vanuatu, the Solomon Islands, Nauru, and Papua New Guinea, as well as Australia and New Zealand.

Washington was widely thought to be anxious to reach agreement, in order to counter expanded fishing activity in the area by the Soviet Union. Moscow's one-year agreement with Kiribati expired last week. It has also made approaches to Fiji and Vanuatu.

The talks in Tonga apparently moved to a conclusion, following the arrival at the weekend of Mr Edward Derwinski, a US State Department official. Final details of the agreement must still be settled and the Pacific countries, having held out for several days for the improved US offer, must decide how to share out the income.

The EEC's sheep regime loses its way



THE NEWS that French farmers have once again been highjacking lorry loads of English lamb is a warning that not all is well with the EEC's sheep meat regime.

The immediate cause of recent events has been the fall in the market price of lamb in France. Angry French farmers attribute this to an increase in imports from almost everywhere, including New Zealand, Spain and, of course, the UK. This is perfectly true. There has been a marked increase in exports since sterling began its slide.

Because of an anomaly in the regime there are no monetary compensatory amounts payable on the exports of lamb, so, as the pound has fallen by about 15 per cent against the franc, this cheapening UK exports in that market, the French are crying foul.

British farmers enjoy a premium, or deficiency payment, to support their prices while the French are supported by a headage payment on their breeding ewes and, as a last resort, can claim the right to sell their sheepmeat into intervention. So far that course has not been taken, however.

Because the premium paid to British farmers would give an unfair advantage, exports to other EEC countries have to bear a levy, or clawback, which is the equivalent of the premium payable in the week of export. At present this is some 80 pence a kilo, nearly 40 per cent of the guaranteed price.

Since the regime was introduced there has been a slow but steady increase in the UK flock, and farmers are concerned that with the restrictions of milk quotas and the possible effects of land set asides for cereals, there could be a move towards enlarging the flock further. So worried are some farmers on this score that there have been calls for the introduction of a quota system for sheep.

There have been attempts to control the cost of the premiums paid to British farmers, mainly by manipulating the price so that the lowest guaranteed price covers the period from July to August, when the maximum number of lambs are being marketed. But it seems that this has done nothing to stem the overall increase in the flock.

There have also been demands for a cut in the New Zealand quota for exports to the EEC, at present about 50,000 tonnes a year, the greater part of which comes to the British market. But even if this were to be reduced it is doubtful if it would make a great deal of difference in the long term, as sheepmeat consumption shows signs of a continuing and serious fall. No one seems very sure why this should be so, but my belief is that the modern housewife finds lamb expensive and difficult to use and much prefers chicken or convenience foods.

Turning a lamb into a convenience food is difficult and very expensive. It is significant that when Bernard Matthews was looking for supplies to make his Lamb Roasts he had to go to New Zealand, where the price of lamb to the farmer is the lowest in the world.

A 13 kg lamb would return the farmer between £3 and £4 —in Britain it would fetch about £27. Fortunately for UK farmers the intermediate costs from New Zealand to Smithfield are high enough to bring the price here to about £1.40 a kg and the variable premium covers the difference. But the threat from New Zealand exports still remains as long as the New Zealand farmer is prepared to accept such low prices.

Until the fall in oil prices there had been considerable relief to the market from New Zealand sheepmeat sales to Iran and other Gulf states, but these are a bit hesitant at the moment. There has also been a marked drop in New Zealand lamb numbers which is continuing as farmers are devoting their flocks more to the production of wool. But it should be remembered that under the Labour Government New Zealand farmers have been squeezed unmercifully and that they are a highly competitive force in the world sheep industry—or would be if it were not for protectionism in the EEC and other markets.

But as a British sheep farmer I, like many of my fellows, doubt if our present favourable situation will continue indefinitely. So I am looking at ways to cut my costs—not to the extent to which New Zealand farmers have had to cut theirs, but significantly.

LONDON MARKETS

ALUMINIUM prices on the London Metal Exchange regained most of last week's fall yesterday as operators covered short positions in the market. The rise, which lifted the cash quotation by £9.25 to £822.75 a tonne, was also influenced by sterling's weakness. But dealers noted that the metal's value was also up in dollar terms. The market was somewhat unsettled by the International Primary Aluminium Institute's announcement of a rise in non-communist world production last month. But on the other hand it was encouraged by a forecast by the European Aluminium Institute that European output of semi-finished aluminium products would move further ahead this year from 1985's record 3.57m tonnes. On the coffee futures market nervous trading in a thin market saw the January position slip £79.50 to £2,173 a tonne. Dealers said many operators were steering clear of the market following the wide price fluctuations of recent weeks.

LME prices supplied by Amalgamated Metal Trading.

ALUMINIUM

	Unofficial close (p.m.) £ per tonne	+ or −	High/Low
Cash	822.5-3	+9.25	823/816
3 months	831.5-2	+6.75	833.5/825

Official closing (am): Cash 815-5.5 (816-8.5), three months 826.5-7 (825-6.5), settlement 815.5 (818.5). Final Kerb close: 831.5-2.

Turnover: 25,700 tonnes.

COPPER

Grade A	Unofficial close	+ or −	High/Low
Cash	930-1	+9	924
3 months	954.5-5	+8.5	956/948

Official closing (am): Cash 923.5-4 (920-1), three months 949-9.5 (945-6). Settlement 924 (921). Final Kerb close: 953-3.5.

Standard			
Cash	908-10	+7	903.5
3 months	933-5	+9	934.5

Official closing (am): Cash 903-4 (898.5-900), three months 926-8 (922-3), settlement 904 (900). US Producer prices 62.50-66 cents per pound.

Total turnover: 21,700 tonnes.

LEAD

	Unofficial close (p.m.) £ per tonne	+ or −	High/Low
Cash	3.72-4	+1.25	308
3 months	306.5-7	+0.75	306/304

Official closing (am): Cash 308-9 (305-7), three months 307-8 (304-5), settlement 309 (307). Final Kerb close: 307-8.

Turnover: 7,725 tonnes. US Spot: 24-28 cents per pound.

NICKEL

	Unofficial + or close (p.m.) £ per tonne		High/Low
Cash	2540-50	+32.5	2550
3 months	2595-600	+27	2600/2580

Official closing (am): Cash 2540-50 (2542-5), three months 2595-6 (2560-70), settlement 2550 (2545). Final Kerb close: 2600-10.

Turnover: 276 tonnes.

TIN

KUALA LUMPUR TIN MARKET: Close 14.28 (14.25) ringgit per kg. Up 0.03 ringgit per kg.

ZINC

High grade	Unofficial close (p.m.) £ per tonne	+ or −	High/Low
Cash	619-20	+1.75	622/621.5
3 months	617.5-8	+6	621/617.5

Official closing (am): Cash 622-2.5 (616.5-8), three months 618-8.5 (614.5-5), settlement 622.5 (616). Final Kerb close: 617-8.

Turnover: 13,550 tonnes. US Prime Western: 44-50.75 cents per pound.

GOLD

GOLD BULLION (fine ounce) Oct. 20		
Close	$425¾-427¼	(£295¼-296¼)
Opening	$420¾-421¼	(£294¼-294¾)
M'n'g fix	$420.00	(£295.765)
Aft'n'n fix	$425.00	(£297.099)

GOLD AND PLATINUM COINS		
Kr'g'r'nd	$418-421	(£293¼-294½)
½ Krug	$215½-217½	(£151¼-152¼)
¼ Krug	$109½-110½	(£76½-77¼)
1/10 Krug	$47-48	(£33¼-35½)
Mapleleaf	$436½-438½	(£304½-306¼)
Angel	$428-432	(£299¼-302)
1/10 Angel	$43½-46½	(£31¼-34)
New Sov	$99-101	(£69¼-70½)
Old Sov	$100½-102	(£70¼-71¼)
$20 Eagle	$500-550	(£349¼-384½)
Noble Plat	$603½-612½	(£422-428¼)

Gold rose $5½ to $426½-427¼ on the London bullion market yesterday. Buying in New York pushed the metal up sharply in the afternoon, after a quiet morning. It opened at $420¾-421¼, and was fixed at $420 in the morning and $425 in the afternoon. Gold touched a low of $419¾-420 and a high of $428-428.

SILVER

Silver was fixed 3.2p an ounce higher for spot delivery on the London bullion market at 388.05p. US cent equivalents of the fixing levels were: spot 555c, up 4.5c; three-month 562.95c, up 4.75c; six-month 571.45c, up 5c; and 12-month 587.05c, up 5.05c. The metal opened at 389-390½p (556-558c) and closed at 402-403½p (575-577c).

SILVER per troy oz	Bullion Fixing Price	+ or −	L.M.E. p.m. Unoffic'l	+ or −
Spot	388.05p	+3.20	397.5p	+12.5
3 months	398.85p	+3.50	408.5p	+12.5
6 months	409.55p	+3.50	—	—
12 months	429.90p	+3.05	—	—

LME—Turnover: 38 (6) lots of 10,000 oz.

Three months high 409p, low 395.7p, final kerb 406-8p.

POTATOES

Concern over heavy overnight gain and its possible impact on the harvest resulted in strong rises. April opened £5.40 higher and after an initial nervous £2.00 dip rallied through the £170.00 barrier, hitting stop-loss buying and triggering fresh interest to close on a steady note, reports Coley and Harper.

Month	Yesterdays close	Previous close	Business done
	£ per tonne		
Nov	111.60	106.00	112.00-110.00
Feb	121.60	112.00	
Apr	172.50	164.60	173.70-168.00
May	189.00	181.00	190.00-185.00
Nov	80.00	82.50	80.00 —

Sales: 1,381 (882) lots of 40 tonnes.

MEAT

MEAT COMMISSION—Average fatstock prices at representative markets. GB—Cattle 93.50p per kg lw (+0.36). GB—Sheep 125.28p per kg est dcw (+1.30). GB—Pigs 77.35p per kg lw (+0.91).

FUTURES—Pigmeat: Nov 112.00. Sales: 4.

REUTERS INDICES

Oct. 17	Oct. 16	M'th ago	Year ago
1582.0	1581.9	1509.0	1697.4

(Base: September 18 1931=100)

DOW JONES

Dow Jones	Oct 17	Oct 16	M'th ago	Year ago
Spot	121.07	118.17	—	115.85
Fut	121.86	129.46	—	118.41

(Base: December 31 1931=100)

MAIN PRICE CHANGES

In tonnes unless otherwise stated.

	Oct. 20 1986	+ or −	Month ago
METALS			
Aluminium	[illegible]		
Free Market	$1195/1250	−5	$1225/1275
Copper			
Cash Grade A	£930.5	+9	£940.5
3 mths	£954.75	+8.5	£961.75
Gold Troy oz	$426.75	+5.5	$426.75
Lead Cash	£307.75	+0.5	£276.25
3 mths	£306.75	+0.5	£272.5
Nickel			
Free Mkt	195/175c		186/195c
Palladium oz	$125.50	+1.75	$124.50
Platinum oz	$577.00	+18.75	$599.00
Quicksilver†	$160/175		$165/185
Silver troy oz	388.05p	+3.2p	389.15p
3 mths	398.85p	+3.5p	398.85p
Tin			
Free mkt	£2850/500	+70	£2775/85
Tungsten	$51.50		$51.80
Wolfram 22.04lb	$52/56		$52/56
Zinc	£619.5	+1.75	£602.5
3 mths	£617.75	+6	£606.75
Producers	$850		$890
OILS			
Coconut (Phil)	$387.5y		$347.5
Palm Malayan	$362.5y		$305
SEEDS			
Copra (Phil)	$200		$185
Soyabean (U.S.)	$181y		$167
GRAINS			
Barley Fut. Jan.	£111.15	+0.75	£108.70
Maize	£144.00		£144.00
Wheat Fut. Jan.	£110.05	+0.75	£107.70
No. 2 Hard Wint.	‡		‡
OTHERS			
Cocoa Ft. Mar.	£1563	+4.5	£1631
Coffee Ft. Jan.	£2173	−79.5	£2507.5
Cotton A Ind.*	52.05c	+0.15	51.40c
Gas Oil Nov.	$126.5	+5.75	$136.75
Rubber (kilo)	67.25p		65.5p
Sugar (raw)	$145x	+7	$117.5
Woottops 64s	447p kilo		446p kilo

‡ Unquoted. † Per 75 lb flask. y Nov-Dec. x Oct-Nov. v Dec. x Jan-Feb. z Dec-Jan. * Cotton outlook. ‡ Cents a pound.

COCOA

Futures staged their quietest performance in months and closed slightly steadier on the day. Actuals trading was similarly subdued, reports Gill and Duffus.

COCOA	Yesterday's close	+ or −	Business done
	£ per tonne		
Dec	1516-1518	+4.5	1519-1508
March	1563-1564	+4.5	1567-1546
May	1578-1576	+3.0	1580-1565
July	1590-1592	+3.0	1595-1578
Sept	1611-1616	+3.0	1614-1610
Dec	1636-1640	+4.5	1640-1627
March	1660-1666	+4.5	—

Sales: 966 (1,634) lots of 10 tonnes. ICCO indicator prices (US cents per pound). Daily price for October 20: 94.58 (94.38); five-day average for October 21: 94.57 (94.34).

COFFEE

Heavy rains in the Brazilian coffee belt over the weekend and a sharp reversal on the New York market late on Friday contributed to a sell-off in London during the morning, reports Drexel Burnham Lambert. A continued lack of roaster offtake for robustas despite the lower market kept traders confidence at a low ebb.

COFFEE	Yesterday's close	+ or −	Business Done
Nov	2195-2200	−55.0	2225-2150
Jan	2171-2175	−79.5	2205-2140
March	2115-2125	−70.0	2155-2100
May	2110-2115	−55.0	2135-2100
July	2115-2120	−55.0	2131-2100
Sept	2125-2145	−57.5	2130 —
Nov	2135-2155	−52.5	—

Sales: 3,665 (4,345) lots of 5 tonnes. ICO indicator prices (US cents per pound) for October 17: Comp. daily 1979 160.11 (162.33); 15-day average 168.06 (169.48).

SOYABEAN MEAL

	Yest'rdys close	+ or −	Business done
	£ per tonne		
October	150.0-158.0	−0.88	—
Dec.	150.8-152.8	−0.58	—
Feb.	152.0-155.8	−0.50	—
April	154.0-156.8	−0.25	—
June	152.0-154.8	−0.50	—
August	153.0-155.8	+4.46	—
October	155.0-159.0	—	—

Sales: 0 (87) lots of 20 tonnes.

GRAINS

Old crop wheat found shipper short-covering in November and January, with similar activity on barley, reflecting renewed rumours of Russian interest in UK grain, reports T. G. Roddick.

Mnth	WHEAT Yesterday's close	+ or −	BARLEY Yest'rdy's Close	+ or −
Nov.	108.30	+0.40	109.35	+0.85
Jan	110.05	+0.75	111.15	+0.60
Mar	112.50	+0.65	113.20	+0.65
May	114.66	+0.45	114.50	+1.10
July	115.26	+0.40	—	—
Sep.	101.50	—	101.60	—
Nov.	104.16	—	104.15	—

HGCA—Locational ex-farm spot prices. Feed barley: Eastern 106.90, E Mids 108.60, N East 110.00, Scotland 115.50. The UK monetary co-efficient for the week beginning Monday October 27 (based on HGCA calculations using four days' exchange rates) is expected to remain unchanged at 1.274.

LONDON GRAINS—Wheat: US dark northern spring no 1 15 per cent Oct 101.25, Nov 102.25, Dec 103.50. US no 2 soft red winter Nov 107.75, Dec 108.75. French 11½-12 per cent Oct 132.00. English feed fob Oct 108.50/109.00 buyer/seller, Nov 111.00, Dec 112.00, Jan/Mar 114.75 buyers, April/June 117.25/117.75 buyer/seller east coast. Maize: US no 3 yellow/French transhipment east coast Oct 144.00. Barley: English feed fob Nov 114.00 buyer, Dec 114.75/116.00, Jan/Mar 115.50/116.50 buyer/seller. April/June 118.00 seller Scottish.

Business done—Wheat: Nov 108.40-8.00, Jan 110.05-9.45, Mar 112.50-2.15, May 114.75-4.30, July and Sept untraded, Nov 104.15. Sales: 268 lots of 100 tonnes. Barley: Nov 109.25-8.75, Jan 111.15-10.75, Mar 113.10-2.75, May, Sept and Nov untraded. Sales: 156 lots of 100 tonnes.

SUGAR

The failure of the US Senate to pass "Jenkins" sugar proposals caused prices to fall, reports C. Czarnikow.

LONDON DAILY PRICE—Raw sugar $145.00 (£101.50), up $7.00 (up £5.00) a tonne for November-December delivery. White sugar $186.00, up $3.00.

No. 6 Contract	Yest'rdy's close	Previous close	Business done
	$ per tonne		
Dec	150.0-159.0	143.0-148.4	148.0-150.0
Mar	158.4-159.6	156.0-156.6	157.0-159.0
May	154.0-155.0	161.4-161.6	157.0-156.4
Aug	160.2-160.6	156.4-159.6	166.0-160.4
Oct	165.0-164.4	170.4-171.0	170.0-165.2
Dec	167.0-170.0	174.0-189.0	—
Mar	177.0-180.0	165.0-168.4	—

Sales: 3,345 (4,465) lots of 50 tonnes.

Tate and Lyle delivery price for granulated basis sugar was £203.00 (£199.50) a tonne for export.

US MARKETS

A SLIGHTLY firmer dollar, inspired by West German Bundesbank president Karl Otto Poehl's statement that further weakness could hinder European economic expansion, did not hinder a recovery in the New York gold futures, reports Heinold. The December position soared shortly after its barely changed opening to reach $431.5 per ounce at one point, before settling at $428.9, a gain of over $6 from what American had considered to be highly ambiguous Friday closing levels. Coinciding with a generally firmer crude oil market, the November delivery approached the close 35c higher on the day and a pronounced weakness to the precious metals in general —platinum also enjoyed aggressive buying interest.

NEW YORK

ALUMINIUM 40,000 lb, cents/lb

	Close	High	Low	Prev
Oct	51.75	—	—	51.50
Nov	51.80	—	—	51.70
Dec	52.10	52.10	51.80	51.90
Jan	52.20	—	—	52.00
March	52.30	—	—	52.20
May	52.40	—	—	52.40
July	52.60	—	—	52.70
Sept	52.80	—	—	53.00
Dec	53.10	—	—	53.00
Jan	53.40	—	—	53.20

COCOA 10 tonnes, $/tonne; COFFEE "C" 37,500 lb, cents/lb; COPPER 25,000 lb, cents/lb; COTTON 50,000 lb, cents/lb; CRUDE OIL (LIGHT) 42,000 US gallons, $/barrel; GOLD 100 troy oz, $/troy oz; HEATING OIL 42,000 US gallons, cents/US gallons; ORANGE JUICE 15,000 lbs, cents/lb; PLATINUM 50 troy oz, $/troy oz; SILVER 5,000 troy oz, cents/troy oz; SUGAR WORLD "11" 112,000 lb, cents/lb — [illegible]

HEATING OIL 42,000 US gallons, cents/US gallons

	Latest	High	Low	Prev
Nov	42.16	42.36	41.65	41.26
Dec	43.60	43.80	43.15	42.75
Jan	44.70	44.85	44.25	43.96
Feb	45.10	45.40	44.80	44.31
March	43.95	43.95	43.40	42.80
April	42.30	42.40	42.00	41.55
May	41.60	41.70	41.30	40.80
June	—	—	—	42.25
July	41.50	41.50	41.50	40.16
August	42.40	42.40	42.40	40.40

CHICAGO

LIVE CATTLE 40,000 lbs, cents/lb; LIVE HOGS 30,000 lbs, cents/lb; MAIZE 5,000 bu min, cents/56 lb bushel; PORK BELLIES 38,000 lbs, cents/lb; SOYABEANS 5,000 bu min, cents/60 lb bushel; SOYABEAN MEAL 100 tons, $/ton; SOYABEAN OIL 60,000 lbs, cents/lb — [illegible]

WHEAT 5,000 bu min, cents/60 lb bushel

	Close	High	Low	Prev
Dec	283.2	284.0	279.0	276.0
March	271.4	272.2	267.4	265.6
May	256.2	256.6	252.4	252.0
July	243.2	243.0	240.6	240.4
Sept	243.2	—	—	241.0
Dec	249.0	—	—	247.0

SPOT PRICES—Chicago loose lard 17.50 (same) cents per pound. Handy and Harman silver bullion 572.0 (564.5) cents per troy ounce.

International Sugar Agreement—(US cents per pound fob and stowed Caribbean ports.) Prices for October 17: Daily price 6.55 (6.61): 15-day average 5.07 (5.02).

PARIS—(FFr per tonne): Dec 1185/1190, Mar 1224/1225, May 1264/1268, Aug 1290/1309, Oct 1330/1339, Dec 1365/1379.

FREIGHT FUTURES

The market rallied on rumours that the Panama canal might be closed but when the rumours turned out to be unfounded prices fell sharply, reports Clarkson Wolff.

	Close	High/Low	Prev.
	Dry Cargo		
Oct.	774/775	790/775	795/796
Jan.	753/756	765/755	778/780
April	795/796	812/794	815/817
July	715/720	729/720	725/730
Oct.	755/810	—	620/632
Jan.	755/805	806	800/824
Apr.	890/950	—	930/950
July	610/625	—	630/640
BFI.	769	—	794

Turnover: 232 (98).

	Close	High/Low	Prev.
	Tankers		
Oct.	754/763	755	770/800
Nov.	815/920	815	610/945
Dec.	940/950	—	930/960
Mar.	935/950	—	925/960
June	938/953	—	930/960
BTI.	761.5	—	764

Turnover: 15 (19).

TEA

There were 28,432 packages on offer in the London tea auction, including 1,400 packages in the offshore section, reports the Tea Brokers' Association. This was a very strong market. Assams met keen competition and prices were 5-15p dearer. Bangladesh teas were also well supported with colory lines 4-8p higher. East Africans came in for much improved demand and the majority advanced by 3-5p%. Central Africans sold readily at firm to dearer rates with dusts particularly strong. Ceylons were fully firm and brokens tended dearer by the close. Offshore teas sold close to valuations. Quotations: quality 195p a kg (190p); medium 160p a kg (155p); low medium 133p a kg (130p).

RUBBER

PHYSICALS—Closing prices (buyers): Spot 67.25p (same); Nov 66.00p (same); Dec 66.00p (same). The Kuala Lumpur fob prices (Malaysian cents a kilo): RSS No 1 232.0 (same) and SMR 20 209.5 (same).

FUTURES—Index 671, Nov 657-667, Dec 659-669, Jan/Mar 667-677, April/June 678-686, July/Sept 690-691. Sales: Nil.

OIL

Brent prices were up around 50c on bullish reports from Geneva but eased back 10c towards the close. November WTI opened 18c up on Nymex and traded 34c up by 1.30 pm EDT. In the petroleum products market gas/oil rose sharply in anticipation of an Opec accord. Naphtha firmed on good demand for prompt cargoes. Gasoline was stable at Friday's weaker levels—Petroleum Argus, London.

	Latest	Change + or −
CRUDE OIL—FOB ($ per barrel)—Nov.		
Arab Light	—	—
Arab Heavy	—	—
Dubai	13.70-13.80	+0.175
Brent Blend	14.10-14.20	+0.40
W.T.I. (1pm est)	15.10-15.20	+0.65
Forcados (Nigeria)	—	—
Urals (cif NWE)	—	—
PRODUCTS—North West Europe Prompt delivery cif ($ per tonne)		
Premium gasoline	162-164	—
Gas Oil	121-123	+4
Heavy fuel oil	68-70	—
Naphtha	120-122	+1

* November Petroleum Argus estimates. Petroleum Argus Estimates

GAS OIL FUTURES

Month	Yest'rdy's close	+ or −	Business Done
	US $ per tonne		
Nov	126.50	+5.75	126.50-23.50
Dec	128.50	+6.25	130.00-26.50
Jan	121.50	+3.00	132.75-31.00
Feb	133.75	+3.75	134.00-32.50
Mar	126.50	+2.00	128.50
Apr	125.00	+0.50	—

Turnover: 2,542 (1,666) lots of 100 tonnes.

HEAVY FUEL OIL

Month	Yest'rdy's close	+ or −	Business Done
	US $ per tonne		
Nov	73.00	+0.50	73.00-72.75
Dec	—	—	—
Jan	75.00	−2.50	—
Feb	—	—	—

Turnover: 9 (10) lots of 100 tonnes.

LEADED GASOLINE

Month	Yest'rdy's close	+ or −	Business Done
Nov	156.50	−7.00	—
Dec	150.00	−2.50	—
Jan	—	—	—
Feb	—	—	—

Turnover: 0 (0) lots of 100 tonnes.

CURRENCIES, MONEY & CAPITAL MARKETS

FOREIGN EXCHANGES

Dollar and pound improve

THE DOLLAR gained ground in quiet trading on the foreign exchanges yesterday. It opened little changed from Friday's close, reflecting reluctance to trade ahead of this week's third-quarter US gross national product announcement. The figure has been postponed from today until tomorrow, because of a temporary shut down of US Government offices, after the delay in Congress passing a Federal Spending Bill. Rumours about the figure are fairly widespread, but the dollar was boosted by suggestions that growth could be as high as 4 per cent in the third quarter, compared with general estimates of 2 to 3 per cent. Comments made in London by Mr Karl Otto Poehl, president of the West German Bundesbank, also underpinned the US currency. It rose to DM 1.9870 from DM 1.9745; to FFr 6.5075 from FFr 6.4675; to SFr 1.6305 from SFr 1.6205; and to Y154.75 from Y154.20.

On Bank of England figures the dollar's index rose to 109.4 from 108.9.

STERLING—Trading range against the dollar in 1986 is 1.5555 to 1.3760. September average 1.4711. Exchange rate index rose 0.2 to 67.5, compared with 76.2 six months ago.

Sterling held steady against the dollar at around $1.43 for most of the day, and gained ground in terms of Continental currencies. Trading was nervous, awaiting news from the meeting of ministers from the Organisation of Petroleum Exporting Countries in Geneva, and the talks between Mrs Margaret Thatcher, the Prime Minister, and Mr Karl Otto Poehl, president of the West German Bundesbank. Mr Robin Leigh-Pemberton, Governor of the Bank of England was also present, amid growing speculation that Mr Poehl would put pressure on Britain to join the European Monetary System. But news from the meeting was neutral, and the talks were described as general, without concentrating on any specific subject. The pound shed 10 points to $1.4300-1.4310, but rose to DM 2.8425 from DM 2.8275; to SFr 2.3325 from SFr 2.32; to FFr 9.31 from FFr 9.2575; and to Y221.50 from Y220.75.

D-MARK—Trading range against the dollar in 1986 is 2.4710 to 1.9740. September average 2.0486. Exchange rate index 142.4 against 135.8 six months ago.

The D-Mark weakened against the dollar after Mr Karl Otto Poehl, president of the West German Bundesbank, told a German Chamber of Industry and Commerce conference in London that a further decline in the value of the US currency would be in nobody's interest. He said it would threaten economic growth in Europe and increase inflationary pressures in the US. Trading was quiet and uneventful before Mr Poehl spoke, and was also restricted by his meeting with Mrs Thatcher and Mr Leigh-Pemberton, at which he was expected to urge full British membership of the EMS. At the Frankfurt fixing the Bundesbank did not intervene when the dollar rose to DM 1.9788 from DM 1.9734. At the Frankfurt close the dollar had advanced DM 1.9880, from DM 1.9750 on Friday.

JAPANESE YEN—Trading range against the dollar in 1986 is, 202.70 to 152.25. September average 154.67. Exchange rate index 214.7 against 196.7 six months ago.

The yen showed little change against the dollar, with the US currency closing in Tokyo at Y154.30, the day's low, compared with Y154.15 on Friday. Dealers were generally reluctant to take a view about the direction of the dollar until publication of third quarter US GNP data later this week.

£ IN NEW YORK

Oct 20 L	latest	Previous Close
£ Spot	1.4290-1.4295	1.4320-1.4330
1 month	0.66-0.64 pm	0.66-0.64 pm
3 months	1.94-1.90 pm	1.94-1.90 pm
12 months	6.73-6.63 pm	6.73-6.63 pm

Forward premiums and discounts apply to the U.S. dollar.

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu central rates	Currency amounts against Ecu October 20	% change from central rate	% change adjusted for divergence	Divergence limit %
Belgium Franc	43.1139	43.2353	+0.28	+1.03	±1.5368
Danish Krone	7.81701	7.83922	+0.29	+1.04	±1.6403
German D-Mark	2.11083	2.08184	−1.37	−0.62	±1.1127
French Franc	6.87316	6.81949	−0.78	−0.03	±1.3659
Dutch Guilder	2.37833	2.35297	−1.02	−0.27	±1.5059
Irish Punt	0.764976	0.765483	+0.02	+0.77	±1.6683
Italian Lira	1476.95	1440.39	−2.48	−2.03	±4.0734

Changes are for Ecu, therefore positive change denotes a weak currency. Adjustment calculated by Financial Times.

FORWARD RATES AGAINST STERLING

POUND SPOT—FORWARD AGAINST THE POUND

STERLING INDEX

CURRENCY RATES

DOLLAR SPOT—FORWARD AGAINST THE DOLLAR

CURRENCY MOVEMENTS

EURO-CURRENCY INTEREST RATES

OTHER CURRENCIES

Oct. 20	£	$
Hong Kong	11.1480-11.1675	7.8025-7.8045
Iran	107.80*	75.50*
Kuwait	0.4185-0.4190	0.2930-0.2930
Luxembourg	58.95-59.05	41.20-41.30
Malaysia	3.7450-3.7535	2.6205-2.6225
N. Zealand	2.8400-2.8500	1.9860-1.9920
Saudi Ar.	5.3600-5.3645	3.7490-3.7500
Singapore	3.1050-3.1125	2.1740-2.1760
S. Af. (Cm)	3.2035-3.2275	2.2470-2.2525
S. Af. (Fn)	6.6550-6.9795	4.6510-4.8780
U.A.E.	5.2500-5.2550	3.6725-3.6735

* Selling rate.

EXCHANGE CROSS RATES

Yen per 1,000: French Fr per 10: Lira per 1,000: Belg Fr per 100.

FINANCIAL FUTURES

Late recovery by gilts

THE LATE strength of gilts on both the cash and futures markets caused some confusion on the London International Financial Futures Exchange yesterday. The early weakness in prices of long term stocks appeared to argue against the suggestions that the recovery reflected fears of a bear squeeze if sterling joined the European Monetary System. Prices were at their weakest when Mrs Margaret Thatcher, the Prime Minister, was about to have talks with Mr Karl Otto Poehl, president of the West German Bundesbank, following strong Press speculation at the weekend that Mr Poehl would put pressure on Britain to join the system. After it was announced the talks were only of a general nature cash gilts recovered and futures prices finished near the day's peak.

December long term gilts opened at 109-02, and quickly fell to a low of 108-20, as fears continued that last week's rise of 1 per cent in clearing bank base rates was not enough. Disappointment at the speech by Mr Nigel Lawson, Chancellor of the Exchequer, at the Mansion House last Thursday, added to the general air of gloom. News that UK retail sales rose 0.2 per cent in September, compared with 1.4 per cent in August, had no impact, but the market was optimistic that Thursday's UK trade figures for September will be an improvement over the record deficit in August. The December contract touched a peak 109-20, before closing at 109-17, compared with 109-18 on Friday.

Three-month sterling deposits for December delivery opened at 88.40, depressed by the firming of cash rates on the London money market, and fell to a low of 88.35, before recovering on profit taking. A later easing of cash rates, and the comments by Mr Poehl, indicating that there was no strong pressure on the UK to join the EMS, pushed the contract up to a peak of 88.65, before it closed at 88.64, compared with 88.50 previously.

Dollar denominated contracts traded quietly, following the delay in publication of the third quarter US gross national product figure from today until tomorrow. December US Treasury bonds fell to 93-19 from 94-18 on rumours that the GNP growth figure could be 4 per cent, against earlier forecasts of 2 to 3 per cent, but trading was thin, lacking retail interest.

LIFFE LONG GILT FUTURES OPTIONS

Strike Price	Calls—Last Dec.	Calls—Last Mar.	Puts—Last Dec.	Puts—Last Mar.
106	4.01	5.26	0.31	1.52
108	2.57	4.13	1.03	2.39
110	1.32	3.11	1.62	3.37
112	0.49	2.21	3.15	4.47
114	0.23	1.43	4.53	6.05
116	0.09	1.10	6.39	7.36
118	0.03	0.50	8.33	9.12
120	0.01	0.33	10.31	10.59

Estimated volume total, Calls 762, Puts 629
Previous day's open int, Calls 21,455, Puts 6,118

LIFFE US TREASURY BOND FUTURES OPTIONS

Strike Price	Calls—Last Dec.	Calls—Last Mar.	Puts—Last Dec.	Puts—Last Mar.
88	5.49	6.35	0.11	1.35
90	4.04	5.18	0.30	2.38
92	2.40	4.12	1.02	3.32
94	1.34	3.16	1.60	4.36
96	0.51	2.31	3.13	5.51
98	0.24	1.55	4.50	7.11
100	0.10	1.23	6.36	8.43
102	0.04	0.63	8.30	10.19

Estimated volume total, Calls 83, Puts 26
Previous day's open int, Calls 584, Puts 932

LIFFE FT-SE 100 INDEX FUTURES OPTIONS

Strike Price	Calls—Last Dec.	Calls—Last Mar.	Puts—Last Dec.	Puts—Last Mar.
1525	9.13	13.39	1.53	2.69
1550	7.36	11.66	2.26	3.46
1575	5.80	10.06	3.20	4.36
1600	4.46	8.61	4.36	5.41
1625	3.34	7.30	5.74	6.60
1650	2.45	6.14	7.35	7.94
1675	1.74	5.11	9.14	9.41
1700	1.21	4.22	11.11	11.02

Estimated volume total, Calls 27, Puts 5
Previous day's open int, Calls 234, Puts 257

LIFFE £ OPTIONS

LONDON SE £$ OPTIONS

PHILADELPHIA SE £$ OPTIONS

LIFFE—EURODOLLAR OPTIONS

LONDON

CHICAGO

CURRENCY FUTURES

MONEY MARKETS

London rates ease as pound improves

INTEREST RATES eased slightly on the London money market yesterday, after rising slightly in early trading. Three-month interbank rose to 11⅞-11¾ per cent at the start as dealers waited nervously for news from Geneva at the meeting of ministers from the Organisation of Petroleum Exporting Countries, and from the meeting between Mrs Margaret Thatcher, the Prime Minister, and Mr Karl Otto Poehl, president of the West German Bundesbank.

UK clearing bank base lending rate 11 per cent since October 15

The continued haggling by Opec ministers about oil production quotas, and Press speculation that the Bundesbank president would put pressure on the UK to join the European Monetary System, created very nervous conditions.

But as sterling improved on the foreign exchanges in the afternoon London interest rates eased, with three-month interbank closing at 11⅝-11½ per cent, compared with 11½-11⅝ per cent on Friday.

The market remained nervous however, ahead of Thursday's UK trade figures, following the record deficit in August.

The Bank of England initially forecast a money market shortage of £50m, but revised this to £200m at noon, and provided total help of £208m.

Before lunch the authorities bought £27m bank bills in band 2 at 10 11/16 per cent; £50m bank bills in band 3 at 10¾-10 11/16 per cent; and £131m bank bills in band 4 at 10 11/16-10¾ per cent.

The Bank of England did not operate in the market during the afternoon.

Bills maturing in official hands, repayment of late assistance and a take-up of Treasury bills drained £510m, with bank balances below target absorbing £95m. These outweighed Exchequer transactions adding £210m to liquidity and bank balances below target by £95m.

Mr Poehl also spoke to a conference of the German Chamber of Industry and Commerce, in London, and repeated his opposition to a cut in West German interest rates to promote domestic growth and help reduce the trade imbalance with the US. Above target money supply growth continues to make the Bundesbank reluctant to reduce interest rates. Call money in Frankfurt rose to 4.25 per cent from 4.20 per cent in quiet trading.

MONEY RATES

NEW YORK (Lunchtime)

FT LONDON INTERBANK FIXING

LONDON MONEY RATES

£ WORLD VALUE OF THE POUND

The table below gives the latest available rate of exchange for the pound against various currencies on October 20, 1986. In some cases rate is nominal. Market rates are the average of buying and selling rates except where they are shown to be otherwise. In some cases market rates have been calculated from those of foreign currencies to which they are tied.

LONDON SHARE SERVICE

BRITISH FUNDS

"Shorts" (Lives up to Five Years)

1986 High	Low	Stock	Price £	+ or -	Yield Int.	Red.
99	94	Exch. 2½pc 1986	99	-⅛	[illegible]	10.70
102	100	Exch. 13¼pc 1987	100	-	[illegible]	11.51
100	97	Treas 10¼pcCv '87	99	+	[illegible]	11.96
98	92	Exch 2½pc 1987	98	......	[illegible]	8.02
102	97	Exch. 10½pc 1987	99	+	10.54	11.35
98	93	Funding 6½pc 85-87	98	-	[illegible]	9.56
101	95	Treas. 10pc 1987	99	-	10.[illegible]	11.20
97	90	Treas 3pc 1987	96	......	[illegible]	8.55
104	99	Treas. 12pc 1987	100	-	11.[illegible]	11.27
99	92	Treas 7¾pc 1985-88‡‡	96	-	[illegible]	10.73
104	96	Exch 10½pc '88	98	+	10.61	10.32
102	95	Treas 9¾pc Cv '88	97	+	[illegible]	11.29
94	86	Transport 3pc '78-88	91½	-	3.[illegible]	8.47
102	95	Treas. 9½pc '88	96	+	9.80	11.34
107	98	Treas 11½pc 1989	100	+	11.47	11.30
103	95	Treas 9½pc Cnv 1989	96	+	9.87	11.26
92	82	Treas 3pc 1989	87	-	3.44	8.63
105	95	Treas 10½pc 1989	98	......	10.70	11.30
104	94	Exch. 10pc 1989	96	......	10.32	11.31
107	97	Exch 11pc 1989	99	+	11.08	11.26
93	84	Treas 5pc 1986-89	88	-	5.61	9.74
110	94	Exch 10¼pcCv '89	100	......	10.25	10.26
114	103	Treas 13pc 1990‡‡	104	......	12.43	11.23
108	97	Exch 11pc 1990‡‡	99	+	11.07	11.19
113	101	Exch. 12½pc 1990	103	+	[illegible]	11.22
89	79	Treas. 3pc 1990	83	-	[illegible]	8.63
100	89	Treas 8¼pc 1987-90‡‡	93	-	[illegible]	10.56
106	93	Treas. 10pcCv 1990	96	+	[illegible]	11.20
86	76	Exch 2½pc 1990	80	-	[illegible]	8.30
112	99	Treas 11¾pc 1991	101	+	[illegible]	11.22
94	83	Funding 5¾pc '87-91‡‡	87	-	[illegible]	9.33
86	79	Treas. 3pc 1991●	79	-	[illegible]	8.46

Five to Fifteen Years

[illegible]

Over Fifteen Years

[illegible]

Undated

[illegible]

Index-Linked

[illegible]

INT. BANK AND O'SEAS GOVT STERLING ISSUES

[illegible]

CORPORATION LOANS

[illegible]

COMMONWEALTH & AFRICAN LOANS

[illegible]

LOANS

Building Societies

[illegible]

Public Board and Ind.

[illegible]

Financial

[illegible]

FOREIGN BONDS & RAILS

[illegible]

AMERICANS

[illegible]

AMERICANS—Cont.

[illegible]

CANADIANS

[illegible]

BANKS, HP & LEASING

[illegible]

Hire Purchase, Leasing, etc.

[illegible]

BEERS, WINES & SPIRITS

[illegible]

BUILDING, TIMBER, ROADS

[illegible]

BUILDING, TIMBER, ROADS—Cont.

[illegible]

CHEMICALS, PLASTICS

[illegible]

DRAPERY AND STORES

[illegible]

DRAPERY & STORES—Cont.

[illegible]

ELECTRICALS

[illegible]

ENGINEERING

[illegible]

ENGINEERING—Continued

[illegible]

FOOD, GROCERIES, ETC

[illegible]

HOTELS AND CATERERS

[illegible]

INDUSTRIALS (Miscel.)

[illegible]

INDUSTRIALS—Continued

[illegible]

هكذا من الأصل

INDUSTRIALS—Continued

1986 High	Low	Stock	Price	+ or –	Div Net	C'vr	Y'ld Gr's	P/E
193	129	Metal Closures	141	–4	6.7	1.0	6.7	(21.0)
102	70	♦Mezzac 10p	80	.....	L2.46	2.6	4.3	12.4
78½	45	Mitchell Cotts	54½	.....	1.5	♦	3.9	♦
129	81	♦Mole & Crane 10p	114	.....	L2.7	2.9	3.3	13.9
320	210	Morgan Crucible	320	.....	10.5	1.5	3.8	21.0
25½	15½	♦Morris (W) F.A. 20p	18½	.....	—	—	—	—
152	65	Myson Grp 10p	137	+1	12.63	3.0	2.7	17.7
365	230	♦NMW Computers	240	.....	16.0	3.0	3.5	13.6
83	27	Nash Inds	83	+2	10.5	—	0.8	—
27½	15½	Neil & Spencer 10p	16	–½	—	—	—	—
39	28	Newman Inds 10p	36	.....	10.8	1.5	3.1	(27.9)
134	65	Noble & Lund 10p	108	–6	0.7	4.3	0.9	35.6
65	39	Norton	58	.....	10.95	7.0	2.7	7.1
150	96	♦Norank Systems 5p	143	.....	1.5	—	1.5	18.3
286	187	Norcros	223	–5	9.3	2.2	3.9	10.7
395	49	Nu-Swift 5p	193	–2	13.5	2.1	3.0	23.7
£356½	£228	OCE 9pc Cnv 1987-92	£340½	.....	Q9%	—	(2.6)	—
118	80	Oakwood Grp	91	.....	15.0	1.5	‡	12.6
250	185	Office & Elect	190	.....	8.5	2.9	6.1	0.8
100	70	Oldacre 20p	176	.....	15.0	♦	4.1	♦
34	26	♦Omnitech 1p	27	.....	—	—	—	—
36	22	♦Optometrics $0.01	24	.....	—	—	—	—
890	500	Oriflame £1	868	–10	[illegible]	2.1	4.0	16.7
10	5	Overstone 12½c	8	–1	[illegible]	1.9	12.5	4.2
142	85	♦PCT Grp 10p	118	.....	[illegible]	—	5.6	—
£201½	£139½	PLM 'B' Sk 25	£39	+¼	[illegible]	6.3	3.2	—
195	114	PSM Intl	188	.....	[illegible]	2.1	4.2	14.0
255	160	♦Pacer Systems $0.01	168	+3	[illegible]	3.4	1.6	18.7
78	58	♦Pacific Sales 10p	53	+3	[illegible]	1.4	8.0	12.6
445	246	Parker Knoll 'A'	404	+5	[illegible]	3.2	4.2	10.6
222	83	♦Parkfield Group 2p	183	+7	[illegible]	4.2	2.8	11.7
53	17	♦Pavion Intl	21	–1	—	—	—	5.6

[illegible]

INSURANCES

[illegible]

LEISURE

[illegible]

LEISURE—Continued

[illegible]

MOTORS, AIRCRAFT TRADES

Motors and Cycles

[illegible]

Commercial Vehicles

[illegible]

Components

[illegible]

Garages and Distributors

[illegible]

NEWSPAPERS, PUBLISHERS

[illegible]

PAPER, PRINTING, ADVERTISING

[illegible]

PROPERTY

[illegible]

PROPERTY—Continued

[illegible]

SHIPPING

[illegible]

SHOES AND LEATHER

[illegible]

SOUTH AFRICANS

[illegible]

TEXTILES

[illegible]

TOBACCOS

[illegible]

TRUSTS, FINANCE, LAND

Investment Trusts

[illegible]

INVESTMENT TRUSTS—Cont.

[illegible]

Finance, Land, etc

[illegible]

FINANCE, LAND—Cont.

[illegible]

OIL AND GAS

[illegible]

OVERSEAS TRADERS

[illegible]

PLANTATIONS

Rubbers, Palm Oil

[illegible]

Teas

[illegible]

MINES

Central Rand

[illegible]

Eastern Rand

[illegible]

Far West Rand

[illegible]

MINES—Continued

O.F.S.

[illegible]

Diamond and Platinum

[illegible]

Central African

[illegible]

Finance

[illegible]

Australians

[illegible]

Tins

[illegible]

Miscellaneous

[illegible]

NOTES

[illegible]

REGIONAL & IRISH STOCKS

The following is a selection of Regional and Irish stocks, the latter being quoted in Irish currency.

[illegible]

"Recent Issues" and "Rights" Page 27
(International Edition Page 26)

LONDON STOCK EXCHANGE

Account Dealing Dates

*First Dealings	Option Declarations	Last Dealings	Account Day
Sept 29	Oct 9	Oct 10	Oct 20
Oct 11	Oct 23	Oct 24	Nov 3
Oct 27	Nov 6	Nov 7	Nov 17

*"New time" dealings may take place from 9.00 am two business days earlier.

Gilts steady by share prices undermined by early setback on Wall Street

The final week of trading in London's traditional pre-Big Bang securities markets opened with a sharp fall in share prices, but a steadier trend in Government bonds. Underlying worries abont domestic interest rates continued to restrain activity in both sectors, although gilt-edged securities staged a successful rally from early falls with tha halp of a modest improvement in sterling.

In the stock market, the blue chips lacked support from the opening, and this checked an attemped improvement by the second-line stocks. At mid-session, prices were trying to steady bnt the market was undermined by an opening setback nn Wall Street. The adjournment nf the Opec talks—without an agreement nn pricing policies—was an additional reason for buyers to back away from the stock market. At the close, the FT-SE 100 index was down 19.8 to 1590.2, and the FT Ordinary index 17.1 lower at 1264.4.

Among those blne chips to give ground were **Imperial Chemical Industries**, **Beecham** and **Glaxo**—the last named coming in for renewed selling pressure from the US.

Oil stocks also turned lower, with **Shell** giving back most of an early galn. Onca again, UK funds were selling **Saatchi and Saatchi**, reaffirmed the bearish trend opened some weeks ago in the New York market.

Government bonds, however, ended little changed from Friday's closing levels, after early losses of ⅛ bad brought in sume cheap buyers. The FT Government Securities index ended 0.10 down at 82.26.

Turnover was light throughont and traders remained nnwilling to open up new positinns in the present uncertainties over interest rates and sterling. Tha City remains uncertain about a mova on British entry into the EMS currency system, despite the absence of developmants at Mrs Thatcber's meeting yesterday with the Bundesbank president.

Heath soar on bid

Lloyds broker **C. E. Heath**, a rising market of late following news that the gronp was ln merger discussions with Fielding Insurance, a subsidiary of Hambros, leapt to 620p before closing n furthar 79 higher on balance at 559p in response to the unwelcoma share exchange bid from **PWS International**, 15 lower at 315p. The development induced speculative support for other old bid favnurites within the sector, particularly **Minet** which ended 12 np at 265p, **Steel Burrill** gained 10 at 229p and **Sturge** put nn 5 at 405p, while **Sedgwick** added 3 et 358p as did **Willis Faber** at 472p.

Fading takeover bopes in the wake of British and Commonwealth's denial that it bad purchased the UK temperance and General Provident Institution's 22.17 per cent stake in Guinness Peat left the latter 5 lower at 92p in e quietly dull banking sector.

Takeover activity among established insurance brokers contributed to e firm and relatively active USM debut for financial services group **Berry Birch and Noble**; the shares, placed at 115p, opened at 121p and touched 123p prior to closing et 122p. Specialist adhesives tapes mannfacturer **Rotnda** managed a modest premium in first-class dealings in the Unlisted Securities Market, tha shares closing at 96p compared with the placing prdice of 95p. Friday's successful USM newcomer **Interlink Express** gained 7 to 205p following favourabla weekend Press comment.

Further small sales and the lnck of institutinnal buying interest left **TSB** 8 lower et 81½p.

Breweries were content to drift lower in subdued trading as investors appeared reluctant to take out fresh positions ln front of tha sector's imminent dividend season. **Bass** fell 15 to 690p, while **Allied-Lynos**, the subject of sizeable "put" traded option business, declined 7 to 298p. **Highland Distilleries** gave up n few pence to 68p in reaction to the rather uninspiring preliminary figures.

Leading Buildings began the second leg of the Account in lacklustre fashion. Unlike othar equity sectors, wbich went better initially, prices struggled to hold Friday's closing levels and for the most part drifted back to close easier on balance. **Blue Circle** edged up to 603p initially on Australian stake-building rumours prior to closing 5 down at 596p. **RMC** settled 8 cheaper at 618p and **BPB Industries** gave up 5 to 448p. **Costain** were dull, et 488p, down 6 and **AMEC** slipped 5 to 259p. Occaslonal selling clipped 6 from **John Mowlem** at 356p and 5 from **John Laing** at 354p. Bucking tha trend, **Federated Housing** gained 12 to 116p following e newsletter recommendation.

Sears volatile

Robert Holmes à Court stakebuilding rumours continued to surround **Sears** wbich followed last Friday'a gain of 12½p with an early improvement to 133½p. However, profit-taking developed at this level and the shares slipped to 128p before closing only e penny easier nn balance at 129p. Other Store majors ended mixed after n qniet session. **Laura Ashley** firmed 7 to 192p, while **Dixons** hardened a coupla of pence to 350p following news of the acquisition of SupaSnaps for £4m. **Marks and Spencer** declined 4 at 198p as did **Burton** at 278p. A few firm features emerged among secondary stocks. USM-quoted **French Connection** soared 59 to 240p in response to persistent speculative buying in a thin market ahead of Thursday's interim figures. A newsletter recommendation lifted **Excalibur** 5 to 17p, while **Bremner** also responded to Press comment with a gain of 6 at 72p. **Lincroft Kilgour** rose 5 to 250p, after 255p, on the group'e announcement that bid discussions with Priest Marians were progressing and a further statement will be made before tha end of the mnnth.

Amstrad, reflecting a Press report that ICI had decided not to avquire its new cut-price IBM compatible computer, closed 10 down at 118p. Elsewbare in Electricals, tha leaders drifted lower for want of support. **Plessey** dropped 6 to 176p and **GEC** cheapered 4 to 186p at did **British Telecom**, at 184p. **STC** were also 4 lower at 150p **Racal** a conple of pence off at 162p. **Lec Refrigeration**, meanwhila, jumped 20 to 258p, after 265p, on Press speculation that German group Bosch had built up a stake in tha company, whila **Micro Business** improved 4 to 80p following the announcement that the Clerical Medical and General Life Association owns a near-10½ per cent stake.

Leading Engineers followed the downward trend, **GKN** closing 8 cheaper at 252p and **Hawker** 4 lower at 451p, the latter is scheduled to reveal its interim figures tomorrow. Secondary issnes recorded the occasional bright spot. **Carclo**, reflecting expansion hopes, advanced 25 to 505p. Acquisition news left **Fredieck Cooper** 5 to the good at 133p, while weekend Press mention prompted a rise of a coupla of pence to 138p in **Triplex**. **F. S. Ratcliffe** came to life with a rise of 10 at 215p. On the other hand, **Crown House**, still refelcted fading bid hopes, encountered further selling pressure and gave up 7 more to 193p.

Leading Foods gave modest ground in thin trading. **Cadbury Schweppes** lost 4 at 191p and **Rowntree Mackintosh** gace np 8 at 403p. **Tate and Lyle** came back 7 to 563p, but **S. & W. Berisford**, helped by Press mention, edged np 3 to 269p. **Tesco** touched 413p prior to closing 3 dearer on balance at 408p; the interim results are due on October 29. Elsewhere, Press comment boosted **Albert Fisher** 9 to 205p and **Associated Fisheries** 4 to 115p. **Cheshire Wholefoods** continued to attract buyers at 252p, up 8, while **Meat Trade Supplies** added 3 to 133p on revived takeover bopes.

Pilkington react

Pilkington Bros., a strong market last week in response to persistent bid rumnurs, met with a bout of profit-taking and reacted to close 18 lower at 483p. Other leading issues drifted lower, particularly in tha late afternoon dealings, mainly for the want nf support. **Glaxo** fall 12 to 940p, whila **Beecham** failed to benefit from reports that the company is close to selling its soft drinks operatinns to Britannia Soft Drinks and settled 7 off at 418p. **Trafalgar House** gave up a similar amount to 286p and **BOC** aased 8 to 320p. **Hanson Trust** closed nnly a penny aasier at 193p; it was announced yesterday that tha company bas agreed to sell Clearing Inc., to Hitachi Zosen Corporation for $64m. Elsewhere, Press mention ahead of tha preliminary figures expected tomorrow left **William Sinclair** 23 higher et 210p, while **Lilleshall** featured a rise of 18 at 153p following speculative buying. Newspaper mention left **Campbell Armstrong** 7 to tha good at 85p and **Avon Rubber** 2 better at 380p, but **Davies and Newman** continued to drift lower following tha preliminary results and gave np 7 more to 268p. Comment on the company's link with British and Commonwealth through its bolding in Caledonia Investments left **Sterling Industries** 47 higher et 160p in a limited market. **British Aerospace**, in contrast, enconntered profit-taking and reacted 15 to 450p.

Jaguar were helped initially by the resumption of production after Thursday's walk-out by assembly workers and rose to 515p before retreating with other leading stocks to close a net 5 lower at 506p.

Davidson Pearce eased 8 to 150p on tha agreed merger with USM-listed **Counter Products Marketing**, which jumped 10 to 110p. Press advice to accept the Norton Opax bid left **McCorquodale** 5 off at 263p but tha latter 5 up et 148p. **Delyn Packaging** which announced a first-balf return to profitability last week, gave up 6 at 140p, but USM-stock **Thorpac** extended tha recent advance to and 9 up at 110p. Among Agencies, **LCA** lost 6 to 105p despite a Press report of bid possibilities after recent stake-building exercises.

Interest in tha Property leaders soon faded and prices lost initial gains of a few pence to close easier nn balance. **Land Securities**, a good market on Friday reflecting traded nption activity, tonched 332p prior to closing 4 off at 324p. **MEPC** ended a couple of pence cheaper at 336p, after 340p. **Hammerson A** lost 5 at 420p, but **Slough Estates** were a resilient market and closed a shade dearer at 174p. Among secondary issues, **Cardiff Property** moved np 20 to 323p in a restricted market, while **Country and New Town**, reflecting the British and Commonwealth link, firmed 5 more to 133p.

British and Commonwealth went further ahead to 321p before investors stepped back. The price then reacted as profit-taking was encountered to close 8 down on the day at 308p. **Associated Caledonia Investments** moved up to 290p before reverting to Friday's closing level of 283p.

Stimulated by a press forecast of the group's likely annual profits, which are dua to be announced tomorrow, **International City** met demand and rose 13 to 178p, after 180p. Further consideration of Friday's good interim results helped **Combined Financial Services** rose 5 to 158p.

Oils well below best

Boosted initially by firmer spot prices and growing optimism about a favourable outcome of the current Opec meeting, leading Oils turned back quite sharply on news that the Opec meeting had been adjourned without agreement to close with only modest gains on balance. **BP**, after early progress to 678p, eased back to close only a couple of pence dearer on balance at 668p. **Shell** were finally 5 higher at 913p, after 923p. Elsewhere, **Conroy** succumbed to profit-taking in the wake of a drilling report and closed 25 down at 278p, but **Berkeley Exploration** gained 6 to 46p following news of the proposed 45p per share cash offer from Ranger Oil (UK). **Silkolene Lubricants** continued to attract speculative support and rose 10 more to 173p, bnt **Sovereign** ahed 2 to 30p following tha dismal interim results.

Ahead of acquisition news, **Polly Peck** spurted to 178p, but buyers lost interest after the announcemant that the company had acquired n 66 per cent stake for £5.5m in Impect Textiles, a Hong Kong-registered garment trading concern, and the shares ended 3 easier on balance at 170p. Continued bid speculation lifted **Inchcape** 8 further to 476p.

Although above the day's lowest lavels, South African Golds continued to give ground in extremaly narrow trading. Dealers again reported minimal interest from major international trading centres and despite bullion's lete strength, tha FT Gold Mines index fell 9.3 to 288.9.

Bullion, down to $420 et the morning fixing, staged a strong recovery reflecting sbort-covering from tha US and revived fears of imminant industrial action by the black National Union of Mineworkers, and closed $6.5 np on balanca at $426.875 an ounce.

Platinum also bounced from recent weakness and was fixed at $577 an ounce during tha afternoon and rose further in lete trading to around $595 an ounce. Major producers, a shade easier for most of the session, were marked higher with both **Impala** and **Rustenburg** settling around tha 730p level.

London Financials, exceptionally buoyant of late amid persistent takeover speculation—often exaggerated by traded option activity—encountered widespread profit-taking in the absence of developments. **Consolidated Gold Fields**, now rated as a "sell" by brokers Phillips and Drew, dipped 35 to 684p, while **RTZ** fell 15 to 672p.

Decidedly irregular indlcations from overnight Australian markets prompted profit-taking among recently supported "down-under" mining stocks in London. Leading diversified counters displayed losses into double-figures with **Renison** 10 lower at 361p. **CRA**, 355p, and **Peko-Wallsend**, 304p, fell 5 and 7 respectively. With the exception nf **Gold Mines of Kalgoorlie**, 20 up at 678p, and **Kidston**, 7 better at 345p, Golds also gave modest ground. **ACM** eased a few pence to 197p despite the bullish tenor of the chairman's annual report.

Favourable newsletter comment stimulated occasional enquiry for **Minoil**, a shade firmer at 37p, and **Thomas Mining**, 23p, with the latter's option 2 dearer at 13p. **Aquarius** were marked sharply higher to 49p, albeit in a restricted market, on reports that the company has entered a gold exploration joint venture with Pancontinental.

Elsewhere, **Malaysian Mining** advanced 7 to 32p reflecting overnight support in Kuala Lumpur; the company is a beneficiary of the latest diamond price increase via its 46.2 per cent stake in Australia's Ashton Mining which in turn holds a 38.2 per cent interest in the big Argyle mine.

Traded Options

Despite a relatively subdued showing by London equities, dealers reported another lively business in Traded Options. Total contracts struck amounted to 24,636. **TSB** remained in the limelight with 3,741 calls transacted, 1,461 of which were done in the January 80 series. **Consolidated Gold Fields** recorded 1,025 calls, while **Allied-Lyons** attracted 1,845 puts.

Traditional Options

- **First dealings** Oct 20 Nov 3 Nov 17
- **Last dealings** Oct 31 Nov 14 Nov 28
- **Last declaration** Jan 22 Feb 5 Feb 19
- **For Settlement** Feb 2 Feb 16 Mar 2

For rate indications see end of Unit Trust Service

Money was given for the call of **TSB**, **Sears**, **Tricentrol**, **Jaguar**, **Amstrad**, **Fobel International**, **Astra Industrial**, **British Car Auction**, **Bristol Oil and Minerals**, **Conroy**, **Christy Hunt**, **Kennedy Brookes**, **Memory Computer**, **Morgan Grenfell**, **Combined Technologies**, **C. E. Heath**, **Gestetner**, **Atlantic Resources**, **London and Manchester** and **Guest Automation**. Puts were arranged in **TSB**, **Laura Ashley** and **A. G. Stanley**, while a double was transacted in **West Coast**.

FINANCIAL TIMES STOCK INDICES

	Oct. 20	Oct. 17	Oct. 16	Oct. 15	Oct. 14	Year ago	1986 High	1986 Low	Since Compilation High	Since Compilation Low
Government Secs	82.26	82.36	82.77	82.75	82.81	84.53	94.51 (18/4)	80.39 (20/1)	127.4 (9/1/35)	49.18 (3/1/75)
Fixed Interest	88.89	88.84	89.03	88.99	89.14	90.34	97.68 (7/7)	86.55 (23/1)	105.4 (28/11/47)	50.53 (3/1/75)
Ordinary	1,264.4	1,281.5	1,277.6	1,276.4	1,262.3	1,048.0	1,425.9 (3/4)	1,094.3 (14/1)	1,425.9 (3/4/86)	49.4 (26/6/40)
Gold Mines	288.9	298.2	306.3	309.9	321.5	272.7	357.8 (22/9)	185.7 (18/7)	734.7 (15/2/83)	43.5 (26/10/71)
Ord. Div. Yield	4.40	4.35	4.37	4.37	4.41	4.65				
Earnings Yld.%(full)	10.13	10.02	10.04	10.04	10.15	11.56				
P/E Ratio (net) (*)	12.10	10.02	10.04	10.04	10.15	10.85				
Total Bargains (Est.)	25,960	28,380	28,439	28,577	30,299	24,253				
Equity Turnover £m.	—	822.97	619.59	640.26	458.94	352.75				
Equity Bargains	—	49,091	54,137	53,316	53,415	24,257				
Shares Traded (ml).	—	476.8	318.2	336.4	224.2	177.8				

Opening	10 a.m.	11 a.m.	Noon	1 p.m.	2 p.m.	3 p.m.	4 p.m.
1281.9	1281.3	1281.0	1279.8	1273.7	1272.4	1270.4	1264.3

Day's High 1282.2. Day's Low 1263.0.

Basis 100 Govt. Secs 15/10/26, Fixed Int. 1928, Ordinary 1/7/35, Gold Mines 12/9/55, SE Activity 1974 *Nil=11.62.

LONDON REPORT AND LATEST SHARE INDEX: TEL. 01-246 8026

S.E. ACTIVITY

Indices	Oct. 17	Oct. 16
Gilt Edged Bargains	113.9	126.3
Equity Bargains	318.1	350.8
Equity Value	1663.4	1292.3
5-Day Average		
Gilt Edged Bargains	115.0	113.0
Equity Bargains	372.6	383.3
Equity Value	1233.0	1177.4

YESTERDAY'S ACTIVE STOCKS

Above average activity was noted in the following stocks yesterday

Stock	Closing price	Day's change	Stock	Closing price	Day's change
Amstrad	118	−10	Heath (C. E.)	559	+79
Burton	278	−4	Jaguar	506	−5
Caledonia Invs	290	+7	Land Securities	324	−4
Commercial Union	287	−5	Legal & General	298	−6
Cons. Gold Fields	664	−35	Sears	129	−1
Dixons	348	—	Shell Trans.	913	+5

LAST FRIDAY'S ACTIVE STOCKS

Based on bargains recorded in Stock Exchange Official List.

Stock	No. of changes	Fri's close	Day's change	Stock	No. of changes	Fri's close	Day's change
Cons Gold Flds.	29	699	+25	Beecham	15	423	+10
TSB (50p paid)	21	84½	+¾	Brit. & Comm.	15	316	+8
Sears	17	130	+12½	Blue Circle	13	601	+19
BSG Int.	16	560	+6	Britoil	13	133	+2
Jaguar	16	511	—	ICI	13	£11⅛	—
BBA Group	15	174	—	BAT Inds	12	443	—

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	26	65	21
Corporations, Dom. and Foreign Bonds	12	38	17
Industrials	265	396	863
Financial & Properties	114	105	357
Oils	24	29	59
Plantations	2	0	6
Mines	28	93	62
Others	37	119	49
Totals	511	845	1,437

NEW HIGHS AND LOWS FOR 1986

NEW HIGHS (79)

NEW LOWS (26)

[illegible]

FT-ACTUARIES INDICES

These Indices are the joint compilation of the Financial Times, the Institute of Actuaries and the Faculty of Actuaries

EQUITY GROUPS & SUB-SECTIONS — Monday October 20 1986

Figures in parentheses show number of stocks per section

	Index No.	Day's Change %	Est. Earnings Yield % (Max.)	Gross Div. Yield % (ACT at 27%)	Est. P/E Ratio (Net)	xd adj. 1986 to date	Fri Oct 17 Index No.	Thur Oct 16 Index No.	Wed Oct 15 Index No.	Year ago (approx.) Index No.
1 CAPITAL GOODS (211)	[illegible]									
2 Building Materials (27)	[illegible]									
3 Contracting, Construction (30)	[illegible]									
4 Electricals (12)	[illegible]									
5 Electronics (30)	[illegible]									
6 Mechanical Engineering (60)	[illegible]									
8 Metals and Metal Forming (7)	[illegible]									
9 Motors (16)	[illegible]									
10 Other Industrial Materials (21)	[illegible]									
21 CONSUMER GROUP (185)	[illegible]									
22 Brewers and Distillers (22)	[illegible]									
25 Food Manufacturing (24)	[illegible]									
26 Food Retailing (16)	[illegible]									
27 Health and Household Products (10)	[illegible]									
29 Leisure (27)	[illegible]									
32 Publishing & Printing (15)	[illegible]									
33 Packaging and Paper (14)	[illegible]									
34 Stores (38)	[illegible]									
35 Textiles (17)	[illegible]									
36 Tobaccos (2)	[illegible]									
39 OTHER GROUPS (87)	[illegible]									
41 Chemicals (20)	[illegible]									
42 Office Equipment (4)	[illegible]									
44 Shipping and Transport (13)	[illegible]									
45 Telephone Networks (2)	[illegible]									
46 Miscellaneous (48)	[illegible]									
49 INDUSTRIAL GROUP (483)	[illegible]									
51 Oil & Gas (17)	[illegible]									
59 500 SHARE INDEX (500)	[illegible]									
61 FINANCIAL GROUP (118)	[illegible]									
62 Banks (8)	[illegible]									
65 Insurance (Life) (9)	[illegible]									
66 Insurance (Composite) (7)	[illegible]									
67 Insurance (Brokers) (9)	[illegible]									
68 Merchant Banks (12)	[illegible]									
69 Property (49)	[illegible]									
70 Other Financial (24)	[illegible]									
71 Investment Trusts (99)	[illegible]									
81 Mining Finance (2)	[illegible]									
91 Overseas Traders (13)	[illegible]									
99 ALL-SHARE INDEX (732)	[illegible]									
FT-SE 100 SHARE INDEX ♦	1590.2	−19.8	[illegible]							

FIXED INTEREST

[illegible]

LONDON TRADED OPTIONS

Option		Calls Oct.	Calls Jan.	Calls Apr.	Puts Oct.	Puts Jan.	Puts Apr.
Allied Lyons (*298)	300	4	18	30	11	20	23
	330	1	7	13	40	45	47
	360	½	5	8	70	75	77
B.P. (*663)	550	117	138	155	½	2	5
	600	67	97	113	1	8	14

Option		Calls Nov.	Calls Feb.	Calls May	Puts Nov.	Puts Feb.	Puts May
Midland Bk. (*529)	500	45	65	75	7	12	17
	550	13	33	45	27	35	40
	600	4	10	18	72	72	75
P. & O. (*503)	460	50	66	—	1½	5	—
	500	23	40	58	11	20	28

[illegible]

October 20. Total Contracts 24,636. Calls 15,758. Puts 9,078. *Underlying security price.

EUROPEAN OPTIONS EXCHANGE

[illegible]

TOTAL VOLUME IN CONTRACTS: 26,380

A=Ask B=Bid C=Call P=Put

BASE LENDING RATES

[illegible]

WORLD STOCK MARKETS

AUSTRIA

Oct. 20	Price Sch.	+ or −
Credit'nst'lt pp	2,295	−5
Goesser	3,300	+20
Interunfall	13,000	.....
Jungbunzlauer	12,800	+500
Laenderbank	2,240	−10
Perlmooser	650	.....
Steyr Daimler	156	−5
Veitscher Mag	11,040	.....

BELGIUM/LUXEMBOURG

Oct. 20	Price Frs.	+ or −
B.B.L.	3,020	−30
Banq. Gen. Lux	10,300	.....
Banq. Int.A.Lux	15,200	.....
Bekaert	10,450	+150
Ciment OBR	5,825	+20
Cockerill	145	−2
Delhaize	5,150	.....
EBES	4,530	−30
Electrobel	14,225	.....
Fabrique Nat	2,010	−20
GB Inno BM	7,600	.....
GBL (Brux)	3,690	−10
Generale Bank	5,960	+10
Gevaert	5,960	−150
Hoboken	7,600	−50
Intercom	3,600	−60
Kredietbank	16,600	.....
Pan Holding	10,850	−150
Petrofina	9,410	−70
Royale Belge	25,600	.....
Soc. Gen. Belge	3,000	−30
Sofina	10,950	−150
Solvay	7,850	−150
Stanwick Intl	250	.....
Tractionel	6,090	−30
UCB	5,460	+150
Wagons Lits	6,600	.....

GERMANY

Oct. 20	Price Dm.	+ or −
AEG	305	+3
Allianz Vers	2,115	+5
BASF	253.8	+2.7
Bayer	286	−1
Bayer-Hypo	567	−4
Bayer-Verein	517	−3
BHF Bank	501	−1.5
BMW	593	+4
Brown Boveri	295	+2
Commerzbank	301.5	−1
Cont'l Gummi	307.9	−2.1
Daimler-Benz	1,123	.....
Degussa	478	−4
D'sche Babcock	190	.....
Deutsche Bank	770	−5
Dresdner Bank	386	−5.5
Feld-Muehle Nbl	286.4	+1.4
Henkel	459.5	+2.5
Hochtief	1,100	.....
Hoechst	253.5	−1.0
Hoesch werke	131	.....
Holzmann (P)	840	+0
Horten	252	−5
Hussel	517	−3
Karstadt	455	−9
Kaufhof	527	+2
KHD	123.2	−3.5
Kloeckner	71.6	−0.5
Linde	811	−3
Lufthansa	182	−6
MAN	219	−3.5
Mannesmann	165.5	−0.5
Mercedes Hld	1,068	+2
Metallgesell	506	−9
Muench Rueck	2,910	+20
Nixdorf	708	.....
Porsche	975	+0
Preussag	205	−5
Rhein West Elect	212	+4
Rosenthal	405	.....
Schering	600	+40.5
Siemens	684	+22.5
Thyssen	149.9	−0.1
Varta	354	.....
Veba	282.5	−3.5
V.E.W.	151	−1
Verein-West	476	.....
Volkswagen	464.5	+0.0

NORWAY

SPAIN

SWEDEN

SWITZERLAND

AUSTRALIA

AUSTRALIA (continued)

JAPAN (continued)

HONG KONG

JAPAN

SINGAPORE

SOUTH AFRICA

DENMARK

ITALY

NETHERLAND

FRANCE

CANADA

TORONTO

Closing prices October 20

MONTREAL

Closing prices October 20

Indices

NEW YORK

OVER-THE-COUNTER *Nasdaq national market, closing prices*

Continued from Page 43

NYSE COMPOSITE CLOSING PRICES

Continued from Page 43

LONDON

Chief price changes
(in pence unless otherwise indicated)

RISES

Ashley	192	+ 7
Berkeley Expln.	46	+ 8
CPM	110	+10
Campbell & Arms	85	+ 7
Excalibur Jewel	17	+ 5
Federated Hous	116	+12
Fisher (A.)	205	+ 9
French Connection	240	+59
Heath (C. E.)	559	+79
Internat City	178	+13
Lec Refrig	258	+20
Lilleshall	153	+18
Malaysia Min	32	+ 7
Micro Bus Sys	80	+ 4
Minet Hldgs.	265	+12
Sinclair (Wm.)	210	+23
Sterling Inds.	160	+47
Thorpac	110	+ 9
Tomkinsons	183	+ 7

FALLS

Conv. 9½pc '04	£90⅝	− ⅜
Amstrad	118	−10
Brit. Aerospace	450	−15
Brit. & Commonw.	308	− 8
Conroy Petrol	276	−25
Cons. Gold	884	−35
Delyn	140	− 6
GKN	252	− 8
Pilkington Bros.	483	−18
Plessey	176	− 8
TSB (50p Paid)	81½	− 3

NEW YORK STOCK EXCHANGE COMPOSITE CLOSING PRICES

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
26½	14⅝	AAR s	.44	1.9	16	143	24	23¾	23¾	−¼
30	21¾	ADT	.92	3.5		91	26½	26	26	−¼
33	13½	AFG s	.08	.3	14	423	26⅞	26⅜	26½	−⅝
25⅞	13⅞	AGS			13	23	19	18¾	18¾	
15	9⅞	AMCA			256	1	10¼	10¼	10¼	−¼
62⅛	36	AMR			15	3633	58⅞	57½	58⅜	−⅛
27½	23¼	ANR pf 2.67		10.		9	26	25⅞	25⅞	−¼
13⅝	9¾	APL			7	42	13½	13¼	13⅜	−¼
16¾	10	ARX	.71t	6.2	11	78	11⅜	11	11¼	
41½	28¾	ASA	2a	5.3		750	37⅞	36¾	37⅞	+1⅛
16⅜	9¾	AVX		6.9		134	10½	9⅞	10½	+⅜
32	23⅞	AZP	2.72	9.3	6	1858	29⅜	29⅜	29⅜	−¼
55	28	AbtLb s	.84	1.9	19	3609	43½	42½	43⅜	−⅜
32	22½	AccoWd .56		2.2	17	12	26	26	26	−¼
14⅞	9	AcmeC .40		3.8		65	11⅛	10⅝	10⅝	−½
9¼	6¾	AcmeE .32b		5.8	14	126	6⅝	6¼	6⅝	+⅛
22⅞	17¼	AdaEx 1.90e		9.5		107	20⅜	20	20	−⅜
33⅝	17⅜	AdmMl .40		1.6	12	7	24⅝	24⅛	24½	
20⅜	12⅛	AdvSys .45t		10	16	51	14	13⅞	14	
32⅞	12⅞	AMD				2656	14	12¾	13½	−⅝
12⅝	5⅝	Adobe s				131	8½	8	8	−⅛
16⅜	13¾	Adob pf 1.84		12.		x42	15¼	14¾	15	+¼
20¼	15¼	Adob pf 2.40		13.		x12	17⅞	17½	17⅞	+⅜
18⅜	7⅜	Advest .12a		.9	16	134	13⅝	13⅛	13⅝	+⅛
66¼	46¼	AetnLf 2.64		4.7	9	1107	56⅝	55⅞	56	−1¼
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Continued on Page 43

NYSE COMPOSITE CLOSING PRICES

Continued from Page 42

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close	Chg
39	25⅝	Webro s	1	2.7	18	522	37½	35½	35⅝	−½
40¼	24¾	Weyerhl.60		3.6	25	2282	37¼	35⅞	35⅞	−1¾
51¾	37⅞	Weyr pf2.80		6.0		103	51¼	51	51	−⅝
13⅝	6⅞	vjWhPit				99	9⅝	9¼	9⅝	
29	17½	vjWPit pfB				z900	19	18⅞	18⅞	−⅛
23	13¼	vjWhPitpf				z100	15¾	15½	15⅝	
83	42½	Whirlpl	2	3.0	12	899	67½	65¾	67⅛	−⅜
34⅞	19⅝	Whitehall			16	11	23½	23⅝	23⅝	−¼
36	17¼	Whittak.60		2.0		502	30¾	29⅝	29¾	−¾
17¼	8	Wilfred .12		1.5	12	26	12½	12⅛	12⅛	−⅜
18½	7⅞	WilcoxG.15		1.1	7	48	14	13⅞	13⅞	−⅛
33⅝	17⅝	WilliamA.40		7.4	173	281	19¼	18¾	19	−¼
12¼	3⅞	WilmEl			28	37	5¾	6⅛	5⅛	
7⅛	4	WilshrO10b		2.0	21	45	5⅜	6⅛	5⅛	−⅛

Continued on Page 41

Sales figures are unofficial. Yearly highs and lows reflect the previous 52 weeks plus the current week, but not the latest trading day. Where a split or stock dividend amounting to 25 per cent or more has been paid, the year's high-low range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividends are annual disbursements based on the latest declaration.

a-dividend also extra(s). b-annual rate of dividend plus stock dividend. c-liquidating dividend. cld-called. d-new yearly low. e-dividend declared or paid in preceding 12 months. g-dividend in Canadian funds, subject to 15% non-residence tax. i-dividend declared after split-up or stock dividend. j-dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k-dividend declared or paid this year, an accumulative issue with dividends in arrears. n-new issue in the past 52 weeks. The high-low range begins with the start of trading. nd-next day delivery. P/E-price-earnings ratio. r-dividend declared or paid in preceding 12 months, plus stock dividend. s-stock split. Dividends begin with date of split. sls – sales. t-dividend paid in stock in preceding 12 months, estimated cash value on ex-dividend or ex-distribution date. u-new yearly high. v-trading halted. vi-in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd-distributed. wi-when issued. ww-with warrants. x-ex-divident or ex-rights. xdis-ex-distribution. xw-without warrants. y-ex-dividend and sales in full. yld-yield. z-sales in full.

AMEX COMPOSITE CLOSING PRICES

Stock	Div.	P/E	Sls 100s	High	Low	Close	Chng
[illegible]							

OVER-THE-COUNTER *Nasdaq national market, closing prices*

Stock	Sales (Hnds)	High	Low	Last	Chng
[illegible]					

Continued on Page 41

FINANCIAL TIMES
WORLD STOCK MARKETS

WALL STREET

Intimidated by Treasury schedule

FEARS that a heavy schedule of Treasury issues this week and next will force up interest rates, pushed bond and stock prices sharply lower on Wall Street yesterday, *writes Roderick Oram in New York.*

Investors were also unsettled by the uncertain picture at the Opec meeting in Geneva and the US economic figures due out this week which are likely to show some acceleration in growth and inflation rates. Bond prices, under pressure from a steep decline in the futures market, fell by up to ¾ of a point in light trading.

The Dow Jones industrial average closed down 26.02 points at 1,811.02. The New York Stock Exchange composite index lost 1.46 points to close at 136.92. NYSE volume moderated to 109.01m shares from 124.1m on Friday with 1,103 issues declining and 433 issues advancing.

Share prices fell rapidly from the opening in heavy trading until they found some stability around 30 points down on Friday's close. Influenced by the bearish mood in bond markets, stock index options and futures traded at a sharp discount to the underlying stocks, prompting some heavy share sell programmes. After the opening flurry, volume eased considerably and prices drifted for the rest of the day.

Among blue chips, Du Pont was off $⅝ at $81¼, Eastman Kodak eased $⅛ to $56, General Motors, which announced it was selling its South African operations, lost $⅝ to $66⅜ and Philip Morris gave up $⅛ to $71½.

Shares of many companies reporting improved third-quarter earnings were unable to resist the market trend and fell. Allied Signal lost $⅞ to $40¼, Goodrich fell $⅝ to $42⅞ and Cork Crown and Seal gave up $2½ to $101⅞.

Dart & Kraft lost $⅛ to $55⅞ on quarterly earnings down to 52 cents a share from 74 cents. Humana fell $⅝ to $21⅞ after reporting as expected a quarterly loss of $108m.

Continental Illinois, the bank holding company recovering from a severe financial setback, gained $⅝ to $6⅝ after it declared a 2 cents a share quarterly dividend, its first since February, 1984.

In the takeover arena, USX rose $1 to $27 on heavy volume on speculation that it would spin off its Yates oil field assets into a master limited partnership. The move would likely boost its share price above the $31 offered by Mr Carl Icahn, the corporate raider.

Transworld, parent of Hilton Hotels, gained $3 to $35⅝ on rumours that Mr Donald Trump, a New York real estate developer, or Mr Charles Bradshaw, a former Transworld president, were about to bid for the company the stock of which has risen sharply in recent weeks. Mr Trump, who has a small stake in the company, said he was "not interested" in bidding. Mr Bradshaw was unavailable for comment.

Viacom agreed to an improved management buyout offer fractionally higher than an earber offer of an estimated $44 in cash and securities. The share price rse $½ to $44½.

Enron lost $3⅞ to $40½. It said it had repurchased 7.4m common shares from Mr Irwin Jacobs, the corporate raider, for $47 a share resulting in a charge of $15m–$20m in its next results.

Trading was light in credit markets yesterday as investors became apprehensive about the heavy round of new Treasury issues this week and next.

The price of the 7.25 per cent benchmark Treasury bond due 2016 fell 2⁄32 of a point to 92 17/32 yielding 7.90 per cent. Prices declined proportionately across all maturities.

Three-month and six-month Treasury bill yields gained 5 basis points to 5.31 per cent and 5.41 per cent respectively while year yields were both ahead 7 basis points to 5.54 per cent.

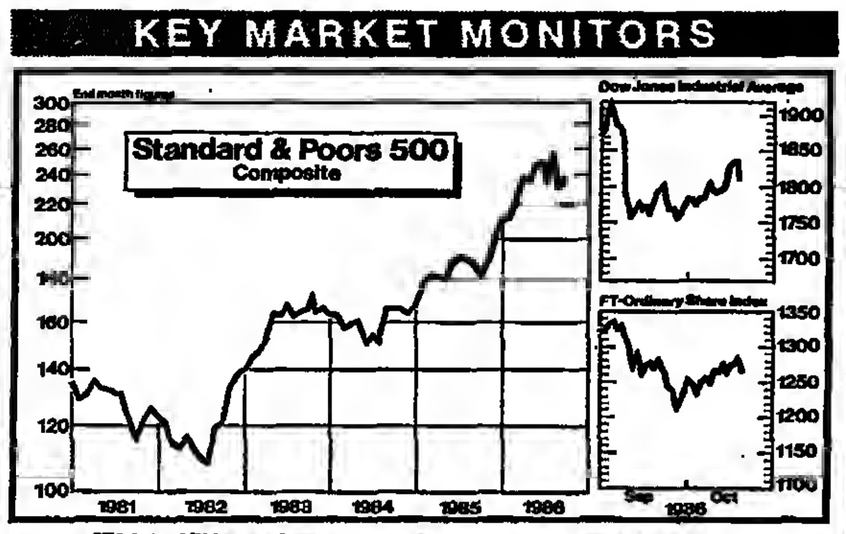
The Federal Reserve Board made $2bn of customer repurchases when the Fed funds rate stood at 5⅞ per cent. It closed at 5 13/16 per cent.

The heavy Treasury schedule will bring auctions on four days this week for an estimated total $42bn of securities including probably seven-year notes delayed for several weeks until Congress had increased the Federal Government's debt ceiling. A further $29bn of issues are expected next week.

Investors are also waiting for some key economic figures due out this week including third-quarter gross national product tomorrow which is likely to show modest 2.7 per cent growth in real terms at an annual rate against 0.6 per cent in the second quarter.

September's consumer price index on Thursday is expected to show a slight acceleration in inflation to 0.4 per cent month-on-month. Durable goods orders on the same day are forecast to rise 1½ to 2 per cent from a month earlier after a 3.1 per cent fall in August.

KEY MARKET MONITORS



STOCK MARKET INDICES

	Oct 20	Previous	Year ago
NEW YORK			
DJ Industrials	1,811.02	1,837.04	1,368.84
DJ Transport	815.26	823.86	680.58
DJ Utilities	199.33	201.06	154.44
S&P Composite	235.97	238.84	187.04
LONDON	Oct 20	Previous	Year ago
FT Ord	1,264.4	1,281.5	1,048.0
FT-SE 100	1,590.2	1,610	1,341.2
FT-A All-share	790.19	797.23	652.13
FT-A 500	863.61	871.54	712.17
FT Gold mines	288.9	298.2	272.7
FT-A Long gilt	10.59	10.55	10.10
TOKYO			
Nikkei	16,523.37	16,701.34	13,973.20
Tokyo SE	1,391.49	1,405.34	1,030.77
AUSTRALIA			
All Ord.	1,361.3	1,367.3	1,035.2
Metals & Mins.	707.2	718.1	524.9
AUSTRIA			
Credit Aktien	230.13	230.91	199.45
BELGIUM			
Belgian SE	3,832.24	3,854.68	2,686.34
CANADA	Oct 20		
Toronto			
Metals & Minls	2,130.7	2,135.22	1,836
Composite	3,023.1	3,040.80	2,646.9
Montreal			
Portfolio	1,528.34	1,540.00	128.85
DENMARK			
SE	198.43	195.73	233.35
FRANCE			
CAC Gen	366.30	370.5	211.60
Ind. Tendance	141.10	143.0	77.00
WEST GERMANY			
FAZ-Aktien	647.81	651.64	568.33
Commerzbank	1,934.90	1,950.0	1,672.4
HONG KONG			
Hang Seng	2,277.76	2,234.89	1,639.89
ITALY			
Banca Comm.	777.52	773.63	382.00
NETHERLANDS			
ANP-CBS Gen	274.70	275.0	216.4
ANP-CBS Ind	274.60	276.2	191.3
NORWAY			
Oslo SE	n/a	372.49	373.98
SINGAPORE			
Straits Times	903.56	902.20	768.14
SOUTH AFRICA		Prev	Year Ago
JSE Golds	—	1,883.0	1,106.0
JSE Industrials	—	1,372.0	980.6
SPAIN			
Madrid SE	196.34	199.21	91.60
SWEDEN			
J & P	2,498.82	2,502.85	1,393.06
SWITZERLAND			
Swiss Bank Ind	562.50	562.7	492.9
WORLD	Oct 17	Previous	Year ago
MS Capital Int'l	342.10	343.6	228.4

COMMODITIES

(London)	Oct 20	Prev
Silver (spot fixing)	388.05p	384.85p
Copper (cash)	£930.50	£899.75
Coffee (Nov)	£2,197.50	£2,262.50
Oil (Brent blend)	$14.15	$13.75

GOLD (per ounce)

	Oct 20	Prev
London	$426.875	$420.375
Zürich	$426.25	$419.35
Paris (fixing)	n/a	$418.33
Luxembourg	$420.20	$420.20
New York (Dec)	$428.90	$422.20

CURRENCIES

(London)	US DOLLAR Oct 20	US DOLLAR Previous	STERLING Oct 20	STERLING Previous
$	–	–	1.4305	1.4315
DM	1.9870	1.9745	2.8425	2.8300
Yen	154.75	154.20	221.50	220.75
FFr	6.5075	6.4675	9.3100	9.2575
SFr	1.6305	1.6205	2.3325	2.3200
Guilder	2.2455	2.2315	3.2125	3.1950
Lira	1,376.5	1,368	1,969	1,958
BFr	41.25	41.05	59.00	58.75
C$	1.3915	1.3895	1.994	1.9985

INTEREST RATES

Euro-currencies (3-month offered rate)	Oct 20	Prev
£	11 5/16	11 11/16
SFr	4 3/16	4
DM	4⅝	4 9/16
FFr	8⅛	8⅛
FT London Interbank fixing (offered rate)		
3-month US$	6⅛	6 1/16
6-month US$	6⅛	6 1/16
US Fed Funds	5⅞*	5⅞
US 3-month CDs	5.75*	5.925
US 3-month T-bills	5.15*	5.40

US BONDS

Treasury		October 20* Price	October 20* Yield	Prev Price	Prev Yield
6⅝	1988	100 22/32	6.441	100 7/32	6.534
7¼	1993	99 1/32	7.433	99 21/32	7.249
7⅜	1996	98 5/32	7.650	99 7/32	7.489
7¼	2016	92 17/32	7.921	93 23/32	7.779

Source: Harris Trust Savings Bank

Treasury Index Maturity (years)	Return index	Oct 20* Day's change	Yield	Day's change
1–30	155.17	−0.46	7.25	+0.06
1–10	149.18	−0.27	6.90	+0.06
1– 3	140.51	−0.09	6.41	+0.06
3– 5	151.90	−0.32	7.07	+0.09
15–30	176.82	−1.09	8.46	+0.07

Source: Merrill Lynch

Corporate	October 20* Price	October 20* Yield	Prev Price	Prev Yield
AT & T 3⅞ July 1990	91.68	6.45	91.75	6.420
SCBT South Central 10⅞ Jan 1993	106.75	9.448	106.75	9.449
Phibro-Sal 8 April 1996	97	8.489	97.5	8.387
TRW 8⅜ March 1996	101.375	8.687	101.5	8.511
Arco 9⅞ March 2016	104.125	9.455	104.875	9.382
General Motors 8⅛ April 2016	88.50	9.270	89	9.215
Citicorp 9⅞ March 2016	95.5	9.844	96.5	9.736

Source: Salomon Brothers
Yield calculated on a semi-annual basis

FINANCIAL FUTURES

CHICAGO	Latest	High	Low	Prev
US Treasury Bonds (CBT) 8% 32nds of 100%				
Dec	93-27	93-31	93-18	94-18
US Treasury Bills (IMM) $1m points of 100%				
Dec	94.74	104.75	94.70	94.78
Certificates of Deposit (IMM) $1m points of 100%				
Sep	n/a	n/a	n/a	93.71
LONDON				
Three-month Eurodollar $1m points of 100%				
Dec	93.90	93.93	93.87	94.01
20-year Notional Gilt £50,000 32nds of 100%				
Dec	109-17	109-20	108-20	109-18

* Latest available figures

LONDON

CONCERN ABOUT domestic interest rates continued to restrain activity in both the equities and government bond sectors in London, but gilts staged a successful rally from early falls with the help of a slight improvement in sterling. The FT Ordinary index closed 17.1 lower at 1,264.4 and the more broadly-based FT-SE 100 index slipped 19.8 to 1590.2.

Some chemicals and pharmaceuticals blue chips gave ground as did oil stocks and the lack of support for blue chips also checked an attempted improvement by second-line issues. Turnover was light throughout.

The adjournment of the Opec talks without agreement on pricing was an additional reason for buyers to back away from the stock market.

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HONG KONG

ACTIVE and volatile trading in the market gave way to a sustained bout of overseas selling, taking the Hang Seng index down 7.13 on the day. It ended at 2,227.76.

The market continued to adjust after recent highs, but there continued to be substantial support for the Hang Seng index at the 2,200 level. Bargain hunting late in the day helped the market partially to recover early losses.

Utilities were mostly firmer, but properties generally lost ground – although Cheung Kong rose 75 cents to HK$32.25.

Hutchison shed 25 cents to HK$40.75 and Swire "A" 10 to HK$17.10. Jardine Matheson was steady at HK$18.50. The most actively traded issue was Hong Kong and Shanghai Banking Corporation, which slipped 10 cents to HK$7.85.

AUSTRALIA

SCATTERED profit-taking among leading industrials and a sharply weaker resources sector took prices lower in Australia, ending a rally that last week pushed markets to record levels. The All Ordinaries index closed 7.7 lower at 1,360.7.

The changed mood was attributed to falling world bullion prices and concern that the latest Opec meeting would end in stalemate. Most gold and oil stocks lost ground, while among blue chip industrials the lack of direction from Wall Street halted a five-day bull run.

Among golds, Central Norseman slipped 40 cents to A$15.80. In mines CRA dropped 26 cents to A$8.04

SINGAPORE

PROFIT-TAKING alternated with buying interest in Singapore, to leave the market narrowly mixed after a day of active trading and the Straits Times industrial index closed 1.36 higher at 903.56.

Some Malaysian-based issues rose on pre-budget buying interest but Singapore-based blue chips and quality stocks fell as some investors moved to take profits. The profit-taking was attributed to wary investors who felt that the market was overbought after recent gains.

CANADA

FOLLOWING early Wall Street trends, Toronto slumped in a broad decline embracing all major share groups with the exception of golds.

Lake Ontario Cement jumped C$4¾ to C$35¾ among actives as trading resumed after a halt for news that Société des Ciments Français agreed to offer C$36.25 a share for all outstanding stock.

Montreal was also lower.

EUROPE

Cautious tone blunts performance

THE CAUTIOUS MOOD on the European bourses yesterday prompted a broadly lower performance in thin turnover.

Frankfurt continued to weaken with a fresb 12.1 drop in the Commerzbank index to 1937.9 in what brokers described as "exceptionally thin dealing."

Banks took the largest losses in further reaction to the troubled Neue Heimat housing group. Dresdner dropped DM 6.50 to DM 386 while Deutsche Bank fell DM 6 to DM 770. Commerzbank resisted the trend with its DM 1 rise to DM 301.

Car-makers and electricals represented a disproportionate amount of turnover and some modest advances were managed. BMW ended DM 4 up at DM 593 and VW put on 50 pfg to DM 464.50. Daimler held unchanged at DM 1,193 and Porsche finished DM 5 higher at DM 975. Domestic new car registrations hit a record in September.

Leading electrical AEG picked up DM 3 to DM 303 while Siemens edged 50 pfg up to DM 684.

Retailers were led lower by Karstadt, DM 9 down at DM 466, while Kaufhof dipped DM 6 to DM 517.

Among utilities Veba lost DM 3.50 to DM 282.50 and RWE picked up DM 4 to DM 212 in response to an investment newsletter recommendation.

Bond prices fell over continued interest rate uncertainty. Losses of up to 50 basis points were frequent, although some longs sustained drops of over 1¼ points. The Bundesbank bought DM 40.1m of paper compared with Friday's purchase of DM 75.7m. The average yield on public authority paper rose 3 basis points to 5.00 per cent.

Amsterdam was quietly lower as international and domestic investors moved to the sidelines and deflated turnover. Sentiment was unsettled due to interest doubts and exchange rate fears.

The ANP-CBS General index slipped 0.3 points to a midsession calculation of 274.7.

Internationals were broadly lower with Royal Dutch 60 cents cheaper at Fl 199.10 and Unilever down 50 cents at Fl 472.50. Philips suffered a bettier Fl 1.10 fall to Fl 46.50 and Akzo at Fl 144.80 was Fl 1.70 down.

NMB led the banking sector lower with its Fl 3 drop to Fl 210 while Aegon led the fall among insurers with a 90 cent drop to Fl 91.90.

Zurich extended last week's featureless trading with another uninspired session. Interest rate uncertainty again underpinned the slow pace of trading.

Banks and insurers edged lower. UBS reversed early gains to close SFr 15 down at SFr 5,900.

Chemicals were mixed with Sandoz down SFr 150 to SFr 11,700.

Bonds were lacklustre.

Brussels was hesitant amid low turnover. Investor concern returned to the fate of the government coalition confronted with a damaging public row over regional language policy.

Market leader Petrofina fell BFr 80 to BFr 9,400 and chemical group Solvay dropped BFr 130 to BFr 7,860.

Milan finished mixed with late selective demand for leading insurers and banks. Industrials ended the day generally lower.

Generali jumped L1,175 to L133,850, and gained further ground in after-bourse dealing, on renewed speculation of a takeover bid for the insurer.

CIR added L330 as Mr Carlo De Benedetti announced that he had bought a stake in Montedison, down L41 to L2,990.

Paris continued to lose ground amid higher call money rates, fresh declines on the financial futures market and settlement day on Thursday. The public sector strike planned for today also inhibited sentiment.

Stockholm turned mixed in moderate trading and **Madrid** dropped sharply in response to Friday's 1.1 per cent rise in the consumer price index during September.

TOKYO

Institutions remain on the fence

A HANDS-OFF attitude by institutions, combined with small-lot selling by individuals, sent equities down in Tokyo, *writes Shigeo Nishiwaki of Jiji Press.*

The Nikkei average ended at 16,523.37, shedding 177.97 points from last Friday in its sixth consecutive daily drop, reflecting the uncertain market outlook. Volume remained weak at 254.69m shares, down from last Friday's 296.42m. Declines led advances by 526 to 240, with 159 issues unchanged.

The index has thus slipped about 1,126 points in the past six market days.

Institutional investors remained on the fence amid weakening expectations for another round of discount rate cuts by Japan and other industrial countries and growing concern over an upturn in crude oil prices. They have been shifting funds largely to short-term financial instruments and US bonds. Meanwhile, individuals are saddled with book value losses due to the continued plunge in stock prices since early this month.

Investors were dispirited further by news that the Ministry of Finance is considering expanding the scope of "large-lot" stock transactions by individuals subject to tax in a tax reform scheduled for fiscal 1987.

The Nikkei average fell 219 points to 16,481 at one point in the morning, coming close to the major immediate chart point of 16,473. The index stopped declining in the middle of the afternoon session, as some securities companies placed light buy orders to stop it from dropping further. Towards the close, however, it plunged again.

Some small-capital, blue-chip stocks firmed on small-lot buying by investment trusts, despite the absence of fresh incentives. Canon added Y20 to Y1,070, Casio Computer Y50 to Y1,430 and Yokogawa Electric Y40 to Y1,180.

General electric machineries were mixed. Toshiba eased Y5 to Y633 and Hitachi Y20 to Y1,020, while Mitsubishi Electric gained Y22 to Y459.

Giant-capital stocks remained lacklustre. Nippon Steel slumped Y13 to Y168 after reports that the firm would close down its steelworks to cope with its deteriorating business performance. Its trading volume came to only 11.85m shares, the day's second largest.

Ishikawajima-Harima Heavy Industries skidded Y12 to Y488, Mitsubishi Heavy Industries lost Y17 to Y455 and Tokyo Gas Y5 to Y995. On the other hand, Nippon Kokan added Y1 to Y240. These issues had led the market in brisk trading in August-September.

Securities companies tumbled across the board on the capital gains tax report, with Nomura Securities losing Y130 to Y2,700. Other financial stocks were also dull.

Bonds retreated substantially due to the plunge in US bonds last weekend, combined with the likelihood that the Government would issue as much as Y1,000bn of 10-year bonds in November at a coupon rate of 5.3 per cent, up 0.2 percentage points from the previous month.

The yield on the benchmark 6.2 per cent government bond due in July 1995 soared from 4.885 to 4.985 per cent on the Tokyo Stock Exchange and surged further above 5 per cent in inter-dealer trading.

The yield on the 5.1 per cent issue due in June 1996 went up from 5.840 to 5.980 per cent, reflecting dumping by some dealers.

SOUTH AFRICA

A RECOVERY in the bullion price failed to prompt Johannesburg's interest in gold issues, which ended mostly easier. Industrials showed no clear direction and also closed mixed.

Randfontein dropped R7 to R423. Cheaper issues lost up to 50 cents as did Loraine at R26 but West Rand Cons resisted the trend to put on 50 cents to R16.25.